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## BRAND MANAGEMENT OF A SELECTED BRAND

BRAND MANAGEMENT VYBRANÉ ZNAČKY

### DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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## **Diploma Thesis Assignment**

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Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology and Dean's Directive on Realization of Bachelor, Master and Doctoral Degree Programs, the director of the Institute of is submitting you a diploma thesis of the following title:

### **Brand Management of a Selected Brand**

In the Czech language:

### **Brand management vybrané značky**

Instructions:

Introduction  
Targets and Methodology  
Theoretical Background  
Analysis of the Current Statement  
Investment Project Proposal  
Conclusion  
References  
Appendices

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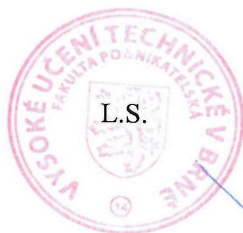
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Brno, 31. 3. 2015

## **ABSTRACT**

The purpose of this Master's thesis is to address the subject of brand management. The primary objective is to summarize the issue of brand management and then apply the attained knowledge on a selected brand operating on the Czech market in the online music streaming industry. This means evaluating the analytical part that includes its current brand management strategy together with its market situation based on the overview of the frameworks and its strategic options described in the theoretical part. Then possible recommendations are proposed, offering strategic branding options that are designed to help the brand improve its position on the Czech market.

## **ABSTRAKT**

Cílem této diplomové práce je zaměřit se na předmět který se týká řízení značky (branding). Primárním cílem je shrnout problematiku řízení značky a následně aplikovat dosažené poznatky o vybrané značce působící na českém trhu v průmyslu onlinových hudebních přehrávačů. To znamená vyhodnocení analytické části, která popisuje stávající strategii řízení značky a její současnou situaci na trhu. Zmíněné vyhodnocení značky vycházelo z přehledu teoretických rámců a jejich strategických možností obsažených v teoretické části. Následně jsou navrženy případná doporučení, která nabízí strategické možnosti řízení značky, jež jsou navrženy k tomu, aby značce pomohli vylepšit svou pozici na českém trhu.

## **KEY WORDS**

brand management, branding, brand strategy, brand positioning, online music streaming services

## **KLÍČOVÁ SLOVA**

management značky, branding, strategie značky, positioning značky, online hudební přehrávací služby

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## **DECLARATION**

I hereby declare that this diploma thesis has been written by myself without any external unauthorized help, that it has been neither presented to any institution for evaluation nor previously published. All used information sources are properly cited including complete reference to the original work.

Brno, 31st of August 2015

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Bc. James Daly

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## **Introduction**

Recently the contemporary issues challenging companies is the pace with which the competition is getting increasingly intensified and innovative. Economies across the world are deregulating the market forces and encouraging them to operate. An example is the European Union, which is deregulating and removing trade barriers within their countries and increasingly involving many markets that were previously protected. Multinational companies move aggressively from continent to continent in an attempt to seize the largest part of the market. As a result the companies must become competitive, which may have more options in terms of execution. Although the key activities for all competitive companies is paying attention to their competitors, trying to be one step ahead, but especially focusing deeply on their customers and defining their segments and other essentials. Subsequently there is a growing necessity for flexibility, quick response to the ever-changing market and the ability to adapt to the circumstances that never cease to change. In the age of globalisation driven success where the world is slowly turning into one enormous homogeneous market, the companies start facing the same challenges, such as: Is the process efficiency at top capacity, if not, how can it be optimised? What to do to gain a competitive advantage and how can it be maintained? How to increase the customer's loyalty while outperforming the competition? How to shift from short-term market strategies to long-term performance sustainable positions?

Brand management or brand strategy is increasingly becoming an important aspect of every company, no matter how large it is. The fundamental idea of brand management is the transformation of what used to be considered only a product label is actually a strategy that involves a wide range of factors, which are often intertwined into other segments of the company's overall strategy. Results are projected in the brand value of the company that often surpasses the sum of the company's tangible assets.

In my diploma thesis I have decided to research the brand management of a selected company currently on the Czech market. The company I have selected is Spotify, an online music streaming service, which launched in Sweden, but more recently relocated most of itself to the United States. The main reason for choosing this brand is owed to my

experience of using it, while I was working and studying in the United States and then experiencing how the company seems to operate differently in the Czech Republic. I was attributing that to the fact that the company had just recently entered the market and has not fully integrated. The goal is primarily to summarize the issue of brand management and apply the obtained knowledge on a selected brand, which means evaluate the current brand management and its current situation, and possibly propose recommendations for the future strategy of their brand management in order to improve or consolidate their current strategy in the targeted market.

# **Goals and Methods**

## **Goals of the Thesis**

The goal of this thesis is to address the subject of brand management. The primary goal is to summarize the issue of brand management and then apply the attained knowledge on a selected brand operating on the Czech market in the online music streaming industry. Since the research will be based on secondary data it places limits on the attainable resources, which consequently has an effect on the results. Due to the fact that I am unable to obtain internal data of the company the thesis will not include any of their non-published financials. Therefore the recommendations will be focused on offering strategic branding options and possibilities that are designed to help the brand improve its position on the Czech market and possibly even globally.

## **Methods Used in the Thesis**

It begins with a theoretical section, which includes a literature review that offers insight on defining a brand and the overall subject of branding as well as an overview of the frameworks and its strategic options. The essential experts and authors in the field of marketing and brand management I drew from were: J. N. Kapferer, P. Kotler, K. L. Keller, and D. A. Aaker.

The analytical or practical section describes online music streaming with its current trends globally and locally, the industry including the top global and local competitors and the target market description, being the Czech Republic. Following the industry overview is a survey placed on social networks, where assumingly mostly students (digitally inclined) will be able to participate. It will be designed to gather information on how the technology, industry and company is viewed, as well as examining how people perceive such a concept in a region where online music subscription is in its earliest stages. The questionnaire is structured, collecting qualitative data and using closed, semi-close, and open questions. After the survey evaluation there is a summary of the current situation, which is focused on

the brand management of Spotify, specifically; brand elements, brand identity, brand positioning, brand mantra, communication strategy and price strategy. This includes selected parts from the theoretical frameworks regarding strategic tools. Last part of the analytical section, which is a sub-part of the summary analyses and evaluates the internal and external factors in four key aspects (strengths, opportunities, weaknesses, threats). The analytical outcomes draw an outline of the issues that should be addressed as well as the highlights, which are further elaborated on in the recommendation part of the thesis.

Finally, the recommendation section of the thesis evaluates and concludes the data that was drawn up in the practical section. The purpose of the recommendations as mentioned as well in the goals, is to offer strategic branding options and possibilities that might help the brand improve its position on the Czech market.

# **1. THEORETICAL PART**

## **1.1. Defining a Brand**

The American marketing Association defines brand as a name, slogan, sign, symbol and design or its combination, which have the ability to identify the product or service that is from one or more traders while distinguishing them from the competitors. (Kotler and Keller, 2012) Klein (2000) points out how brands have gained influence in modern society. Truth to be told, they are everywhere. Brands have penetrated all aspects of our lives: social, economic, cultural, sports and even religion. Due to their omnipresence they have become increasingly criticized. (Klein, 2000)

Interestingly the most common points of disagreement among experts in terms of branding are the definitions themselves. It starts with each of them coming up with their own definition, or adding nuance to the existing one. The real acute problem comes into place once the experts have to agree on how to measure the strength of a brand. How many indicators to use in order to evaluate what are commonly referred to as brand equity? In addition to this there is a major division between two paradigms. The first being customer-based, solely focusing on the relationship the customers have with the brand. Second one is directed to the producing measures in world's leading currencies. Both of them have their winning brands; obviously depending on which way you look at it.

To conclude, a brand is a shared desirable and unique idea expressed in products, services, places and/or experiences. The strength of the brand is dependent on the amount of people that share the same idea. (Kapferer, 2008)

### **1.1.1. Branding**

Branding means to endow a product or service with the strength of a brand. The sole purpose of it is to create differences between products. Marketers must teach the consumers what is the product actually about. Naming it and specifying additional elements of the brand, as well as what can it do and why should it interest them. Branding creates mental

structures that help the consumer categorize the knowledge they have about the products or services in a way, which later eases the decision-making process and therefore bring value to the company.

In order to create a valued brand and overall effective branding strategies, the consumer has to be convinced that among the brands of a particular category exist meaningful differences. (Kotler and Keller, 2012)

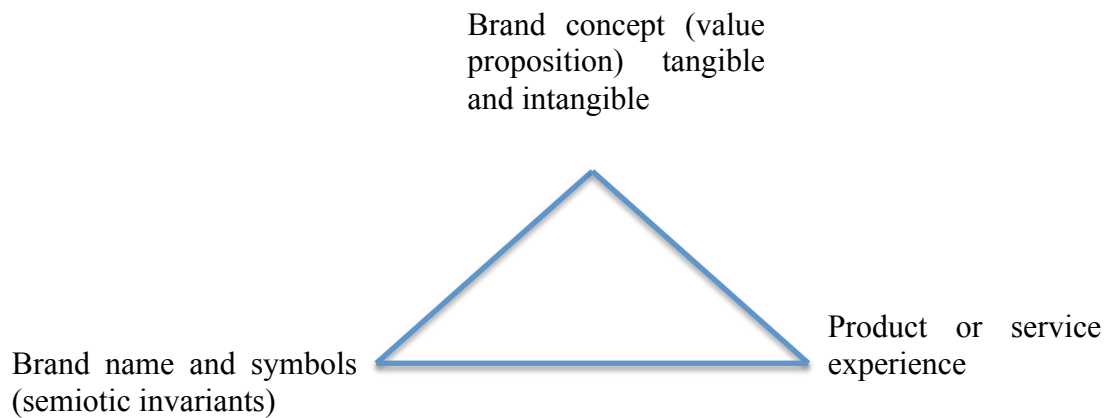
### **1.1.2. Brand Management**

Kepferer (2008, p. 122) explains that brand management is *"covering the whole system, relating a concept with inherent value to products and services that are identified by a name and set of proprietary signs (that is logo and other symbols)." System such as this one reminds us of the dependencies of the brand asset: it exists as long as services and products exist. The variations are outlined by the brand concept, a distinctive set of characteristics (both tangible and intangible) that represent the value concept of the brand.*

In order to maximize market share and leadership, the brand must be:

- ❖ capable of generating big ideas, while remaining attractive;
- ❖ experienced by people at connecting locations;
- ❖ put into motion by deeds and conducts;
- ❖ communicated;
- ❖ distributed.

Figure 1: The brand system



The purpose of the brand triangle is to help brand management structure a majority of challenges that must be dealt with:

- ❖ What proposition should be chosen together with what ration of tangible and intangible benefits? This is the challenge of identity and positioning. Brand concept moving forward through time, or across borders?
- ❖ Challenges of brand extension or brand stretch are decided by evaluating how should the brand concept be embodied in its products, services and places. Also how should a product or service of the brand be differentiated?
- ❖ How should the product or service be identified? Should they be identified by solely the slogan, or the logo should be more focused? Would it be wise to create different logos and names for different products or service lines inside of the business?
- ❖ In terms of conveying the brand internationally. What slogans, names and logos should be chosen?
- ❖ With what speed should the brand signs be changed, updated or modernized?
- ❖ If the brand should be globalized, does the company keep the same "brand" (logos, signs, products and services) or diversify (customize) in order to appeal better to different regions and cultures?



An obvious, but indispensable observation by Kapferer (2008, p. 126) tells us; *"Since a brand is a name with the power to influence the market, its power increases as more people know it, are convinced by it, and trust it. Brand management is about gaining power, by making the brand concept more known, more bought, more shared."*

### **1.1.3. Internal Branding**

Marketers must currently work on actually fulfilling the brand promise. They must gain internal perspective and ensure that employees and marketing partners appreciate and understand the basic notions of branding. Also that they are aware of how they can help the brand value, or conversely harm it. (Davis and Dunn, 2002)

Internal branding consists of activities and processes, which help the company inform the employees about the brand and get them inspired. Holistic marketers must go even further to train and to encourage the proper operation of its customers, distributors and dealers. Poorly trained dealers can destroy the best efforts of creating a strong brand image. The linkage with the brand occurs when customers are fully convinced that the company can fulfill the promise of its brand. All interactions between customers and employees regarding communication should be positive. The company will not reach the brands promises until every employee in the company accepts it and follows it. Disney Company's internal branding is so successful that it even holds seminars on "Disney style" for employees of other companies. When employees depend on the brand and believe in it, they are motivated to work harder and feel greater loyalty towards it. Principles of internal branding include:

1. *Chose the right moment.* For attracting attention and imagination of employees the ideal time is during crucial moments in the life of the brand. After having implemented an internal branding campaign accompanying a complete repositioning of the brand Beyond Petroleum, BP found that the majority of its

employees like the new and believe that the company is heading in the right direction.

2. *Intertwine internal and external marketing.* Internal and external message must be harmonized. IBM's campaign regarding e-business did not just help change the basic perception of the company on the market, but it signaled to the employees that IBM is ready to become the leader in internet technologies.
3. *Revive the brand for the employees.* Internal communication should be informative and energizing. Miller Brewing used its brewing history to make the employees feel passion and pride, which showed on their morale.

(Mitchell, 2002)

#### **1.1.4. Brand Communities**

Thanks to the Internet companies begun engaging in cooperation's with the consumers and work on creating brand value through communities that are being organized around the brands. Brand community is a specialized association of consumers and employees that focus their activities around the brand. (McAlexander, Schouten and Koenig, 2002) Brand communities identify three characteristics:

1. "Awareness of solidarity" or feeling of being connected to the brand, company, product or other members of the community.
2. Shared rituals, stories and traditions, which help with conveying a sense of the community.
3. Shared moral liability or duty towards the community as a whole and also towards every individual member.

(Muniz and O'Guinn, 2001)

Strong brand community leads to faithful and devoted customer basis. Its activities and brand support can to a certain extent substitute effort, which would have to been otherwise

expended by the company. This way it creates higher effectiveness and usefulness from the marketing standpoint. Brand community can be a never-ending source of inspiration and feedback used by for future upgrades or product innovation.

One exhausting study aimed at better understanding of brand communities was researching communities of a vast variety of brands. From cosmetic companies (Stri Vectin) and automobile manufacturers (BMW Mini) to TV shows (Xena: Warrior Princess), beverages (Jones Soda), rock and roll groups (Tom Petty & the Heartbreakers) all the way to GPS devices (Garmin). With the help of combining research methods, such as online forums analysis, studying the activities of the community or thorough conversations with the members of the community. The study has shown twelve activities, which create value. (Schau, Muñiz and Arnould, 2009)

## **1.2. Brand Equity**

Equity stands for the brands added value to products and services. It can be founded on the manner in which the consumers cogitate, feel and act towards the brand. Together with the prices, market share and profitability that the brand delivers. (Aaker, 1991) Marketers and researchers consider many points of view while examining brand equity. Approaches rising from the customer see it from the consumer view, so be a single person or an organization. They come to a realization that in the course of time the strength of the brand depends on what the customers have read, seen, heard, noticed, thought and felt.

Brand equity coming from the customer is therefore the differentiation effect that has the knowledge of the brand of how the consumer will react to the marketing of the particular company. (Aaker and Joachimsthaler, 2000) Positive value coming from the customer towards the brand happens only if the consumer reacts favorably to a product, when it knows the identity (brand) rather than it being hidden. The brand has a negative value in the opposite situation, when the customer after finding out the brand of the product or service reacts negatively. The customer defines three key parts of brand equity:

Brand equity depends on the variations of consumer reactions. If there are no variations, then the product or services of the particular brand are practically just a commodity and the only competition will price-dependent. (Levitt, 1980)

Differences in reactions are the results of the consumers' brand knowledge, feelings, images, experiences and basically any thoughts connected to the brand. The brand must evoke strong, favourable and unique associations. E.g., Toyota (reliability), Hallmark (caring), Amazon (comfort).

Brand equity is reflected in perception, preferences and behaviour related to all the aspects of the marketing brand. Stronger brands lead to higher revenues.

Marketers' task is to ensure that consumers are getting together with the products, services and marketing programs the necessary experience, which creates contemplative knowledge of the brand. In an abstract way we can think of brand equity as a stable strategic bridge over which marketers travel from past to future. (Miller and Muir, 2004)

Marketers should in that case think about marketing costs spent on products and services as investments into consumer knowledge of the brand. Quality of this investment is a critical factor, so quantity is not always necessary (of course after it reaches a reasonable point). It is also possible to spend an excessive amount if the resources are not used wisely. The knowledge of the brand dictates its appropriate future course. Promise of a brand is the marketers vision of what the brand must be and what it has to do for the customer. Depending on what the consumers think of the brand and what emotions it stirs up in them, they decide where (and how) should the company take course and allow them (or not) which marketing actions or programs they can undertake.

All the new products such as aspirin BENGAY in a spray form, cereal Cracker Jack, Frito Jay Lemonade, Fruit of the Loom washing powder or Smucker's premium ketchup failed, because consumers did not accept them as the suitable diversification of the particular brands. (Kotler and Keller, 2012)

### **1.2.1. Brand Assets, Strength and Value**

Another way to look at brand equity is through Feldwick (1996), who became fed up with the confusion and uncertainty around the phrase brand equity. He decided to show how the consumer and financial approaches are intertwined, and to create clear terms with limited boundaries.

- ❖ *Brand assets*. Considered the sources of influence of the brand (awareness, image, kind of consumer relationship), and patents.
- ❖ *Brand strength* is the outcome of brand assets at a particular time in a certain market and competitive environment. If one restricts the application of "brand equity" to solely brand assets, they would be the "brand equity outcomes". Market share, market leadership, loyalty rates and price premium (if strategy applied) are all the behavioral competitive indicators that are captured by brand strength.
- ❖ *Brand value* is practically the capability of brands to earn profits. That suggests that a brand is financial worthless unless it can provide profits. This can advocate

the wrong idea; lack of profit is not a brand problem but a business problem, which can be lead to by an intellectual urge to segregate the business from the brand. *"Certainly brands can be analysed from the standpoint of sociology, psychology, semiotics, anthropology, philosophy and so on, but historically they were created for business purposes and are managed with a view to producing profit"*. (Feldwick, 1996, p. 93)

Feldwick (1996) believes that only by dividing brand assets, strength and value will one end the uncertainty of the brand equity domain. Brand value is the profit potential of the brand assets, mediated by brand market strength. (Kapferer, 2008)

Table 1: From perception to financial value

<b>Brand assets</b>	<b>Brand strength</b>	<b>Brand value</b>
Brand awareness	Market share	Net discounted cash flow traceable to the brand after paying the cost of capital invested to produce and manage the business and the cost of marketing
Brand reputation (attributes, benefits, competence, know-how, etc)	Market leadership	
	Market penetration	
Perceived brand personality	Share of requirements	
Perceived brand values	Growth rate	
Reflected customer imagery	Loyalty rate	
Brand preference or attachment	Price premium	
Patents and rights	Percentage of products the trade cannot delist	

Source: Kapferer, 2008

### 1.2.2. Customer Equity

There is another way of looking at and comparing marketing approach. Kapferer (2008) compares the two far sides, first being fully brand oriented and second, pointing out the importance of customer equity and the stances some businesses take. Today, every business

manager is supposed to have attended conferences on CRM, relationship marketing, customer equity, ECR, e-relationships, customer database management and proximity marketing: all of these new tools criticize the old brand concept and prioritize on the most methodological techniques to serve the most profitable customers. The prophets and experts claim that controlling new clients is of no value any more: profitability will arise from mastering databases and loyalty programs.

Despite this, managers never stopped attending conferences focused on brand management. There is a small amount of strategic assets accessible to a company that may provide a long-lasting competitive advantage, and even with that the time span of the advantage is shrinking. Brands are in that category as well, together with R&D, employee involvement, an efficiency culture (cost cutting), a real consumer orientation, and the volume to change and react quickly. This is the mantra of Wal-Mart, Starbucks, Apple and Zara. (Kapferer, 2008)

Managers have moreover rediscovered that the ideal kind of loyalty is brand loyalty. Surprisingly it was not bargain loyalty or price loyalty, although as a first move it is helpful to create behavioral barriers to exit. Ultimately, Ehrenberg (1972) has revealed through 40 years of panel data analysis that product penetration is associated with purchase frequency. In other words, big brands have both a high penetration rate and a high purchase amount per buyer. Growth should necessarily seize these two routes, and not singly be set off by customer loyalty.

### **1.2.3. Global Brand Measuring Companies**

As it has been explained, measuring the value of the brand is a very complicated matter. Taking into account that there are several methods for its measurement. Two of the most respected brand valuating reports is BrandZ Top 100 Global Brands by Millward Browns and WPP, and a consulting company Interbrand Corporation publishes the other. Forbes magazine also directly addresses the value of brands, and each year publishes a ranking of the best global brands.

#### **1.2.3.1. BrandZ Top 100 Global Brands**

Each year Millward Brown under the auspices of the WPP do a global project BrandZ Top 100 Global Brands where they announce the top 100 brands of the year. Millward Brown is one of the leading research agencies, which focuses on effective marketing communications, media and brand equity. Brandz Top 100 Global Brands ranking is based on specialized consumer surveys and a thorough financial analysis. Brand value depends primarily on economic and financial indicators using data company Bloomberg and Kantar Worldpanel. Evaluated are the brands, which come into direct contact with the consumer, but also the brands that are involved in the business-to-business operations. Final ranking is determined by a combination of both factors.

In addition of publishing the annual ranking of the 100 most valuable brands, Brandz Top 100 Global Brands also announces for example; Top 10 brands in retail industry, Top 100 Chinese brands, the top 50 Indian brands, Top 50 Latin American brands, etc.

This is what the creators of BrandZ had to say: *"It has been 10 years since WPP and Millward Brown launched the BrandZ™ Top 100 Most Valuable Global Brands. During the intervening decade, 2006 to 2015, Brand Value increased 126 percent to \$3.3 trillion. This year alone value rose 14 percent."* (Millward Brown, 2015a)

In the following table you can see the top 20 highest-ranking brands for the year 2015.



Table 2: BrandZ Top 100 Global Brands - Most Valuable Global Brands 2015

	Brand	Category	Brand Value 2015 \$M	Brand Contribution	Brand Value % change 2015 vs 2014	Rank change
1		Technology	246,992	4	67%	1
2		Technology	173,652	4	9%	-1
3		Technology	115,500	4	28%	1
4		Technology	93,987	4	-13%	-1
5		Payments	91,962	4	16%	2
6		Telecom Providers	89,492	3	15%	2
7		Telecom Providers	86,009	3	36%	4
8		Soft Drinks	83,841	5	4%	-2
9		Fast Food	81,162	4	-5%	-4
10		Tobacco	80,352	3	19%	-1
11		Technology	76,572	5	43%	3
12		Technology	71,121	4	99%	9
13		Retail	66,375	2	NEW ENTRY	
14		Retail	62,292	4	-3%	-4
15		Telecom Providers	59,895	4	20%	0
16		Regional Banks	59,310	3	9%	-3
17		Conglomerate	59,272	2	5%	-5
18		Logistics	51,798	5	9%	-2
19		Entertainment	42,962	5	24%	4
20		Payments	40,188	4	2%	-2

Source: Millward Brown, 2015b

Apple has moved significantly in the BrandZ rankings, back in 2010 it was situated on the seventh position, five years later it is on the very top with a whopping brand value difference. As one can see, the first four brands are from the United States and are

technologically oriented. The absolute largest jump of the top twenty is Facebook, which moved up by 9 positions and the brand value has increased by 99% from last year.

The food and beverage brands, McDonalds and Coca Cola, which have always been taking the top positions, are slowly moving down. From last year they have sunk by 4 and 2 positions, McDonalds even lost 5% of its brand value compared to year 2014. It is inevitable that these two brands will get pushed out of the top 10 brands most likely by 2016, according to the evolution of their standings. One can also conclude that sooner or later all of the top 10 positions will be occupied by IT and overall technologically inclined brands.

#### **1.2.3.2. Interbrand Corporation**

Interbrand Corporation is a leading global brand consultancy and it was founded in 1974. In collaboration with magazine BusinessWeek, it annually announces 100 most successful international brands. In order to be part of "Best Global Brands", the brand must meet the following criteria.

##### Best Global Brands Criteria for Inclusion

To be incorporated in Best Global Brands a brand has to be truly global, having successfully transcended geographic and cultural boundaries. It will have enlarged across the established economic hubs of the world and have penetrated the major markets of the future. In measurable terms, this demands that:

- ❖ Minimum of 30 percent of revenue has to come from outside the brand's home region.
- ❖ It has to have a significant presence in Asia, Europe, and North America, also as broad geographic coverage in up coming markets.
- ❖ There has to be sufficient publicly accessible data on the brand's financial performance.

- ❖ Economic profit has to be expected to be positive through out the longer term, delivering a return over the brand's cost of capital.
- ❖ The brand has to have a public profile and awareness through out the major economies of the world.

These requirements that a brand must be global, visible, and considerably transparent with financial results, which lead to the exclusion of some well-known brands that might otherwise be anticipated to appear in the ranking. (Bestglobalbrands.com, n.d.)

The method the company uses is based on a qualified estimate of future revenues and earnings; calculations are based on verified data of consulting firms. The method is based on an analysis of the financial performance of the branded products or services. Also from the role of the brand, which is important in the purchase decision, and the competitive power brand. Unfortunately by this time of the year Interbrand still does not have data evaluated for the year 2015, so the author will use last years (2014) list of the top 20 brands, which is available in Table 3.

Table 3: Interbrand's 2014 Best Global Brands

2014 RANK	2013 RANK	BRAND	SECTOR	2014 BRAND VALUE (USD \$billion)	% CHANGE IN BRAND VALUE
1	1	Apple	Technology	118.863	21%
2	2	Google	Technology	107.439	15%
3	3	Coca-Cola	Beverages	81.563	3%
4	4	IBM	Business Services	72.244	-8%
5	5	Microsoft	Technology	61.154	3%
6	6	GE	Diversified	45.480	-3%
7	8	Samsung	Technology	45.462	15%
8	10	Toyota	Automotive	42.392	20%
9	7	McDonald's	Restaurants	42.254	1%
10	11	Mercedes-Benz	Automotive	34.338	8%
11	12	BMW	Automotive	34.214	7%
12	9	Intel	Technology	34.153	-8%
13	14	Disney	Media	32.223	14%
14	13	Cisco	Technology	30.936	6%
15	19	Amazon	Retail	29.478	25%
16	18	Oracle	Technology	25.980	8%
17	15	HP	Technology	23.758	-8%
18	16	Gillette	FMCG	22.845	-9%
19	17	Louis Vuitton	Luxury	22.552	-9%
20	20	Honda	Automotive	21.673	17%

Source: Interbrand.com, 2014











From table 3 it is noticeable that Apple is holding the first position at the expense of Coca Cola, which was bumped down to third position. Same scenario happened in 2013, where also Google was stably holding second position. Facebook has recorded the highest annual growth for 2014, which reached an astonishing increase in brand value by 86% and moved up by 23 positions to be ranked 29th for 2014.

One can see many similarities in table 2 and table 3: Apple first, Google second, Facebook growing exponentially (while marginally not reaching similar positions). Nevertheless there are also few contraries, especially the beverage industry; Coca Cola. This is owed to the requirements Interbrand has, while brand XY may be a fast-paced growing IT company offering services in the higher developed countries in the world, it is no match for e.g., Coca Cola that has product knowledge basically covering the entire globe.

#### **1.2.3.3. Forbes**

Forbes magazine also publishes an overview of the most valuable international brands for the year 2014. Among other things it announces a variety of categories such as most powerful women and men in the world, where the first place went to Russian President Vladimir Putin and second position went to US President Barack Obama. In the women's category German Chancellor Angela Merkel took first and was also ranked fifth for the most powerful person in the world. It is quite interesting that sixth place was give to the wife of the former US President Bill Clinton; Hillary Clinton, and in eighth place came in the current first lady of the United States, Michelle Obama. (Forbes, 2015b)

Table 4: Top 10 of the World's Most Valuable Brands

	Rank	Brand	Brand Value	1-Yr Value Change	Brand Revenue	Company Advertising	Industry
	#1	Apple	\$145.3 B	17%	\$182.3 B	\$1.2 B	Technology
	#2	Microsoft	\$69.3 B	10%	\$93.3 B	\$2.3 B	Technology
	#3	Google	\$65.6 B	16%	\$61.8 B	\$3 B	Technology
	#4	Coca-Cola	\$56 B	0%	\$23.1 B	\$3.5 B	Beverages
	#5	IBM	\$49.8 B	4%	\$92.8 B	\$1.3 B	Technology
	#6	McDonald's	\$39.5 B	-1%	\$87.8 B	\$808 M	Restaurants
	#7	Samsung	\$37.9 B	8%	\$187.8 B	\$3.8 B	Technology
	#8	Toyota	\$37.8 B	21%	\$171.1 B	\$3.8 B	Automotive
	#9	General Electric	\$37.5 B	1%	\$129.1 B	-	Diversified
	#10	Facebook	\$36.5 B	54%	\$12.1 B	\$135 M	Technology

Source: Forbes 2015b

According to Forbes, Apple is also the most valuable brand of 2015 with more than double the brand value of Microsoft, which came in second. It is astonishing that Apple has such a striking difference in brand value, separating them from the rest of the top brands. In the Forbes list Facebook made it into the top 10 and with no surprise gained the highest change in value compared to the previous year. It is interesting to see Toyota come in eight in table 3 and 4, but it did not even make the top 20 ranked brands in Brandz Top 100 Global Brands. In fact it has been positioned as number 30.

In conclusion it is safe to say IT and tech related companies are slowly taking over the list of the most valuable brands, they form half the number in the entire top 10 ranked brands. Underlining this thought is the fact that most of the non-technological brands in this very top of the list have year-to-year declining brand value.

### **1.3. Brand Identity**

Kapferer (2008, p. 139) starts by asking a question with the intentions of distinguishing brand identity from brand image: *"What does the notion of identity have to offer that the image of a brand or a company or a retailer doesn't have?"* Essentially companies do spend vast amounts of money measuring image.

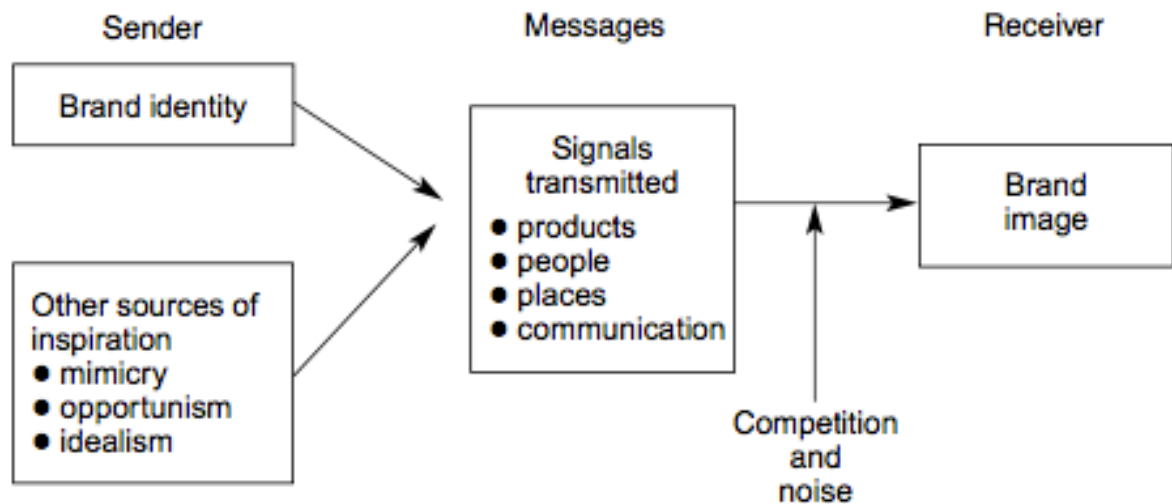
Brand image is on the receiver's side. Image research concentrates on the method in which particular groups perceive a product, a brand, a company, a country or a politician. The image is linked to the way in which these groups interpret all of the signals emerging from the products, services and communication covered by the brand.

Upshaw (1995) further clarifies that identity takes place on the sender's side. The reason, in this situation, is to pinpoint the brand's meaning, aim and self-image. Image is both the outcome and explanation thereof. Regarding brand management, identity foregoes image. Prior to projecting an image to the public, one has to know precisely what needs to be projected.

What and how to send is another step one should figure out before the image is received. Figure 2 shows an image as a combination made by the public of all the diverse brand messages, e.g., products, sponsoring, brand name, advertisements, articles, visual symbols, patronage. An image concludes from solving a message, deriving meaning, explaining signs. (Upshaw, 1995)



Figure 2: Brand Identity and Brand Image



Source: Kepferer, 2008

Where do all these indications come from? There are two possible origins: brand identity and irrelevant factors ('noise') that communicate on the brands behalf and therefore produce meaning, however detached they may really be from it. There are three types of these so-called extraneous factors.

First, there are firms that decide to imitate competitors, as they have no solid perception of what their own brand identity is. They concentrate on their competitors and copy their marketing communication.

Second, there are firms that are preoccupied with the willingness to create an appealing image that will be positively perceived by all. So they focus on reaching all of the public's expectations. That is how the brand gets seized in the scheme of constantly having to please the consumer and ends up riding on the changing rollercoaster of social and cultural trends.

The third origin of 'noise' is that of imaginary identity: the brand as one would preferably like to perceive it, but not as it really is. Usually what may happen is that people will not be persuaded by the advertisement because they are either too remotely connected to it or so

utterly detached from it that they produce confusion or rejection. (Kepferer, 2008, Diefenbach, 1987)

To conclude, it is obvious that brands should not hide away and detach themselves from the public and from the constantly evolving market. However, it should not also be taken as an obsession about image, which can end up by over capitalising on appearance and neglect the essentials.

## **1.4. Brand Positioning**

The whole marketing strategy is based on segmentation, targeting and positioning (STP). Company situated on the market differentiates various needs and groups of customers, then it targets those it can satisfy the most. Products and services are placed accordingly, so that the targeted market can easily take notice of the unique image and products. (Kotler and Keller, 2012)

Ries and Trout (2000) describe positioning as an act of creating a suitable offer of products or services and proposing an image, which will position itself significantly among the desired market. Goal is to position the brand in the minds of the consumers for the maximization of their potential contributions to the company. Good brand positioning is the guide to marketing strategy, because it clarifies the meaning of the brand. Everyone in the organisation must understand positioning of the brand and all the decisions should be in its context.

Kotler and Keller (2013) further explain that good positioning stands with one foot in the presence and with the other it is entering the future. It needs to be slightly ambitious in order for the brand to grow and improve. Positioning created solely on the current situation on the market is not looking ahead of it self enough. At the same time the brand positioning should not be far fetched from reality, so that it is not possible to achieve. The art of positioning is finding the right balance between what the brand actually is and what is could be. (Kotler and Keller, 2012)

Result of positioning is successful formulation of customer oriented value proposition. Meaning a compelling reason why should the targeted market buy the product or service.

Positioning requests that marketers identify and communicate the similarities and differences between their own brand and those of the competition. It is specifically expects that:

1. Determining frame of reference marks to help identify the target market and the relevant competitors.

2. Define optimum points of parity and points of difference by brand association within a given frame of reference.
3. Creation of a brand mantra that concludes positioning and the essence of the brand.

(Ries and Trout, 2000)

### 1.4.1. Category Membership

Categories suffice as the foundation for the competition-based attitude to positioning because they suggest the goal that a consumer reaches by using a brand. Provided that consumers are aware of the category, connecting the brand to it quickly brings to mind the goal, which is reached by brand use; in other words, asking anyone if they want to go grab a beer is an invitation to visit a particular establishment and to socialize.

In some cases, people may not know the category in which a brand maintains membership. To confront this issue, there are points of parity linked with the category, preferably rather than the category label. This may be used in order to communicate the goal served by the brand. (Ries and Trout, 2000)

There are three ways to access a brand's category membership:

- ❖ **Communicating Category Benefits.** To comfort consumers that a brand will convey on the basic reason for using a category, marketers often use benefits to introduce category membership. Consequently, industrial motors may claim to have power, and pharmaceuticals might advertise their efficiency.
- ❖ **Exemplars.** Popular, interesting brands in a category can as well be used as exemplars to identify a brand's category membership. E.g., The National Pork Board favorably advertised for more than two decades that pork was “the Other White Meat,” meantime benefiting from the popularity that poultry had. (Hungama.com, 2014)
- ❖ **Product Descriptor.** The product descriptor that sticks to the brand name is often a quite compact way of presenting the category's origin. I.e., USAir changed its name

to US Airways, which tried to encourage people into thinking it is not just a regional airline, but give it a more international sound. This was owed to the intentional transformation of an airline with poor reputation, and also because most of the other major airlines used the name airways or airlines. (Melcher, 1997)

(Keller, 2012)

### **1.4.2. Competitive Frame of Reference**

As Kotler and Keller (2012) state, competitive frame of reference determines which other brands are competing against our brand, therefore making them subject to competitor analysis. Deciding about the competitive frame of reference narrowly correlates with decisions made about the selected market. To simplify it; it determines which products or sets of products the brand competes with. If the brand chooses to compete in different categories, it often results in different competitive frames of reference and thus generates different points of parity and points of difference.

There are numbers of cases, nevertheless, in which it is significant to notify the consumers of a brand's category membership. Maybe the most obvious is the presentation of new products, where the category membership is not always obvious. Brands are occasionally linked with categories in which they do not have membership rather than with the one in which they do. This attitude is a practical way to underline a brand's point of difference from competitors, granted that consumers know the brand's real membership.

### **1.4.3. Points of Difference and Points of Parity**

The target and competitive frame of reference selected will direct the breadth of brand awareness and the situations and types of indicators that should become narrowly related to the brand. Once marketers have prepared a suitable competitive frame of reference for positioning by describing the customer target market and the essence of competition, they can describe the foundation of the positioning itself. Reaching acceptable positioning

requires establishing the proper points of difference and points of parity connections. (Keller, 2012)

#### **1.4.3.1. Points of Difference**

Abbreviated as POD are those kind attributes or benefits, which consumers strongly connect with the brand. They grade them positively and are convinced that they would not be able to find them in a competing brand of a similar range. Associations creating the points of difference can be based on literally any kind of attributes or benefits. It goes hand in hand, where stronger brands have more points of difference.

Exemplary brands are Apple (design, easy to use, lack of respect), Nike (performance, innovative technology and victory) or Southwest Airlines (values, reliability and merry personality). Creation of strong, favorable and unique associations is a true challenge that has a significant meaning for competitors positioning. (Kotler and Keller, 2012)

If the associations linked to the brand can truly be connected to the points of difference is based on three criteria - desirability, attainability, and differentiation. (Keller, Sternhal and Tybout, 2002)

- ❖ **Desirable for the consumer.** Consumers must perceive the association as a link to the brand, making it relevant for them selves. Hotel Westin Stamford in Singapore use to say it was the highest hotel in the world, but for many guests the height of the hotel had no significance. Consumers also need to get convincing evidence that they can trust the association and that the brand can actually deliver what it promised. Another example is the beverage company Mountain Dew, which says it delivers more energy than other non-alcoholic drinks and prove it by showing the percentage of caffeine. Also perfumes Chanel No. 5 can state that it is 100 per cent elegant French perfume, which it can prove by many years of cooperation's with the leading designers. Patents are also a way of evidence, for example Nivea Control Crème with coenzyme Q10, or conditioner Herbal Essence with Hawafena.

- ❖ **Attainable by the company.** Company must own internal resources and dedication that allows it to create an association with ease and profit. Desirable association should be supported by product design and the marketing offers. The question is; in order to reach the association does the product itself must change, or the way consumers perceive it? Usually it is easier and better to go with the second option. General Motors had a lot of work to overcome the bias opinions consumers had about Cadillac's in a way that they are not young and modern enough. GM succeeded when it used non-traditional designs and the current image. Ideal associations with the brand are those that are preventive, protective and difficult to contest. Holding on to the desired positioning is generally easier for companies like AMD, Visa or SAP, which have their leader positions based on verifiable product or service performance. In contrary to companies such as Fendi, Prada and Hermes that have positioning based on fashion, which means it is vulnerable to changes on the volatile market.
- ❖ **Differentiating from competitors.** At last, consumers must perceive the brand associations as differentiating and protruding above all the relevant competitors. In 2003-substitute sweetener Splenda got ahead of brands such as Equal and Sweet'N Low and it became the leader of its category, thanks to differentiation of its product being authentic based on real sugar, but without the negative effects connected to it. (Applebaum, 2005)

Any type of attribute or benefit linked with the product or service may function as a point of difference, as long as it is desirable, attainable and differentiating. Should an attribute or benefit really work, as a point of difference then the company must make sure it will really excel at it. The consumer must be convinced that for example Louis Vuitton makes the most stylish purses and Energizer has the batteries with the highest endurance.

#### **1.4.3.2. Points of Parity**

Also referred to as POP in contrary to points of difference are attribute or benefit associations, which are not necessarily unique, but can be shared by multiple brands. (Brunner and Wänke, 2006)

These associations occur in two different forms:

- ❖ **Category points of parity** are attributes or benefits, which consumers view as necessary in order for a particular product or service category to be legitimate and trustworthy. In other words they are the necessary, however not sufficient conditions for the choice of brand. For example a customer does not have to consider a travel agency for a travel agency if it is not capable of reserving airplane tickets and a hotel, give advice regarding holiday packages and offer multiple ways of paying. Although these points characteristic for a certain category can slowly shift elsewhere due to the development of technologies.
- ❖ **Competitive points of parity** are associations designed to overcome the known weak points of the brand. Competitive points of parity can be either for: 1. Canceling out the known competitors points of difference. 2. Overcoming the known weaknesses of the brand due to its own points of difference. Quick example of number 2 is when consumer thinks that a brand is good in only one aspect (e.g., it is simple to use), and then it must lack somewhere else (e.g., it does not have advanced functions).

(Keller, 2012)

#### **1.4.4. Brand Mantra**

To better create an image of what a brand represents, marketers will commonly define a brand mantra. The most common misconception is thinking that a brand mantra is an advertising slogan, because it is not. Usually it will not be something that the brand will use publicly. Keller (2012) continues by explaining that a brand mantra is a brief, three to five



word phrase that expresses the undeniable essence and spirit of the brand positioning. It is alike “brand essence” or “core brand promise,” and its goal is to secure that all employees and external marketing partners comprehend what the brand most fundamentally stands for. So that they can adjust their actions accordingly, which reflects in how they represent it to the consumers. For example, Nike's brand philosophy “Authentic Athletic Performance” remarkably captures its brand essence and core brand promise.

Brand mantras can offer guidance about which products to introduce in the name of the brand, which kinds of ad campaigns to use, and also how and where should the brand be sold. Mantras can even guide the most apparently unrelated or humdrum decisions, such as the atmosphere of a reception area and the manner in which employees pick up the phone. In return, brand mantras create a mind filter to block out inappropriate brand marketing activities or actions of any kind that may have a negative effect on the customers’ impressions towards a brand.

Brand mantra can be divided into three parts. Brand function dictates the nature of the product, in other words the benefits that the brand provides. Next part that is developed is the descriptive modifier, which states the borders of the brand. Last part is the emotional modifier, which choses the nature of what creates the brand. An example of designing a brand mantra is provided in Table 5. (Keller, 2012)

Table 5: Designing a Brand Mantra

	<b>Emotional Modifier</b>	<b>Descriptive Modifier</b>	<b>Brand Function</b>
<b>Nike</b>	Authentic	Athletic	Performance
<b>Disney</b>	Fun	Family	Entertainment

Source: Keller, 2012

## **2. ANALYTICAL PART**

### **2.1. Online Music Streaming**

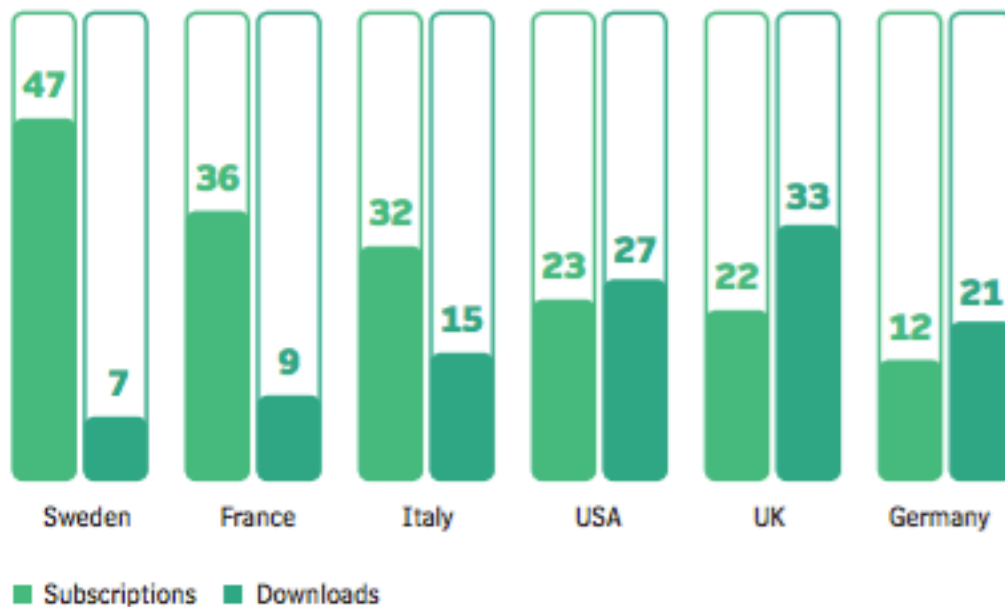
Undoubtedly recent history has showed us, the evolution of music is constant and inevitable. As tapes have pushed out Vinyl's, which were then replaced by CD's, later converted into MP3's. Most recently iTunes Music Store, which has been the main source for music in many of the higher developed countries, has been over-ruled by online music streaming companies.

#### **2.1.1. Online Music Streaming Trends**

The concept of streaming music has been around for a long time, but with its constant growth it is just about now gaining mainstream traction. 2013 saw a giant increase in music that is being streamed online, during this time the sales for music downloads have encountered the first decline ever, going in a direction towards the inevitable future of music industry being streamed. As the never-ending connection of Internet devices is becoming more prevailing, media companies are on the march to keep pushing towards reoccurring subscriptions instead of one-time purchases.

The trends that are currently taking place in most of the higher developed parts of the world (see Chart 1) are a result of the improvement in technology and international mobile service providers.

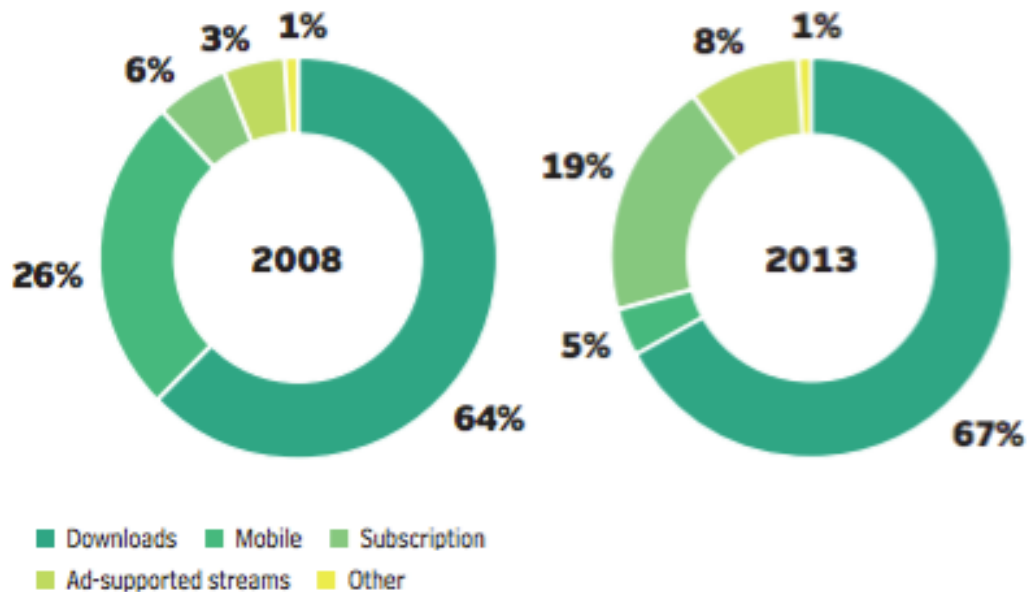
Chart 1: Percent of Internet users using music subscriptions (+ free users) / download services in the second half of 2014



Source: Ipsos.com, 2014

The major difference that used to be between listening to music at home and on the go (via mp3 player, cell-phone) was the music library one was able to access as well as the Internet speed, if anything additional needed to be reached. Nowadays the Internet speed offered by mobile services in combination with the almost seamless Wi-Fi coverage in majority of cities, one can be almost always online. Accessing unlimited amounts of music through countless applications. Subscription and ad-supported streaming services have grown from 9% to 27% of digital revenues in the last five years (see Chart 2). (IFPI.org. Digital Music Report 2014, 2014)

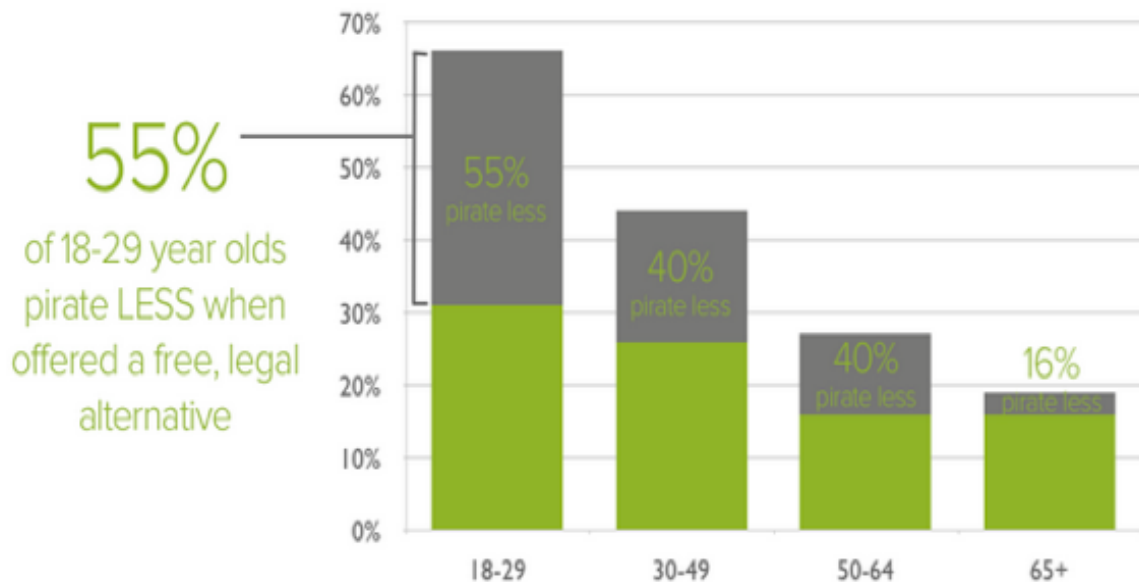
Chart 2: Digital revenue breakdown by format, 2008-2013



Source: IFPI.org. Digital Music Report 2014, 2014

This trend of streaming music online is increasingly popular, which is supported by the Digital Music Trends 2014 report published by Hungama (2015) and it states: "*Music streaming increased by 90% between 2013 and 2014, which includes statistics based on WAP, web and mobile apps consumption. In 2014 nearly 90% of total streaming access went through mobile phones due to the increase in mobile Internet usage. Android platform has witnessed an increase with regards to access of service on Android devices alone.*" The increase in online music streaming has more reasons, like the amount of storage once needed for a personal music library is diminishing together with the quantity of time spent on the internet searching for music to be most likely downloaded illegally (see Chart 3). (Spotify for Artists, 2013a) Also playlists and a variety of music collections, which have taken ages to compile, are currently accessible with Internet via these music applications.

Chart 3: Percent of each age group who chose to pirate less content when given a free and legal alternative



Source: Columbia University Copyright Infringement and Enforcement in the U.S., (seen on Spotify for Artists, 2013a)

The government is supporting this new trend/business model especially because it astonishingly lowers music piracy, which subsequently reflects on the artists who are supporting these music-streaming services. Not only are large, well-known artists in favour of this, but also small, unknown artists can distribute their music into the world through these companies. (Spotify for Artists, 2013b) In the writers opinion this is the course of the future in which music playback and streaming is done via Internet through "smart" devices.

Different types of music streaming services:

- ❖ **Music Library.** Common services of this kind offer unlimited access for a flat rate (also limitedly for free). Basically a service of this type will have a catalogue of millions of song titles, which depending on the type of service (purchased or free) and Internet connection allows a user to browse and listen anytime and anywhere he

or she likes. All of the services offer access through a browser or a desktop application and various kinds of mobile devices. Services based on music libraries will be the subject of the following analysis.

- ❖ **Cloud Storage.** Services that give a choice of cloud storage for the users songs and the option to stream these songs anytime and anywhere the user would like.
- ❖ **Theme Radio Stations.** A service as such offers radio stations that follow a particular theme that the user can stream to his or her computer, home audio or a variety of mobile devices.

As a common matter with any other new, revolutionary creation there is a possible downside to it, which in this particular paragraph is meant from the listeners point of view. It is the fear of being hooked, trapped in a never-ending circle of monthly payments, where once stopped everything is lost. If the listener stops paying he or she loses access to all the music they have discovered and built up in their virtual library. The listeners' only option left is to buy all the music discovered during the time period over which the service has been used. This is naturally referring to companies that offer only premium (subscription) service, there are of course companies that offer together with the option to subscribe, the option to listen for free ("Freemium"), which consequently offers a service with limited features.

### **2.1.2. Target Market Of The Online Music Streaming Services**

As mentioned in the introduction the targeted market of this research is the Czech Republic. In 2013, which was the year that Spotify entered the Czech market, the recorded music income has grown by 5% and according to the IFPI it was around 22 million dollars. (Ifpi.cz, 2013) The two key segments of the online music streaming industry are North America and Europe. Due to legislative differences, especially in terms of royalty fees (money paid out to labels, artists, record companies, etc.) it is for some companies basically impossible to enter the other market. For example Pandora Radio, which is due to these different laws and contracts regarding royalty fees able to play only in the United States,

Australia and New Zealand. Although it can legally only play in three countries it has the most listeners out of all the online music streaming services world wide. (Software Insider, 2014) The catch is that many of these listeners are from countries outside of this triad and through VPN alternators their broadcasting is essentially illegal.

To further clarify, the main focus from this chapter on will be set on the online music streaming services that currently legally function in the Czech Republic, with a deeper focus on a certain one.

### **2.1.3. Online Music Streaming Industry**

Companies that provide audio streaming grow every day, as well with them are growing the services they are offering. With music streaming one has access to millions of songs, accessible from a PC, also from a mobile device or even from a home audio system. Once you pay a monthly fixed fee you have access to millions of songs. This fixed rate often contains additional features such as customizing your personal radio, sharing your playlists or reading reviews regarding newest releases.

In order to create a well-rounded picture of the industry it would be appropriate to introduce the top few companies that are in the business of streaming music through the Internet. While there is a scaled list of the top companies that shows the best in terms of earnings, listeners and brand value. It does not apply globally. The two currently most lucrative regions for music streaming are North America and Europe, which although have the same winner in terms of earnings are divided from the listener point of view. The company holding the popularity crown in the United States is Pandora Internet Radio, which is only available in the U.S., Australia and New Zealand and due to the nature of this thesis; being focused on the Czech/European market, it has no relevance to further examine.

As mentioned in the Online Music Streaming Trends the companies examined will be music library based. There are hundreds and thousands of theme radio stations, some doing better than others, but the real competition together with the profits and vast amounts of

listeners comes from the music library type of online streaming. In addition these services usually offer the themed radios concurrently with the cloud service.

#### **2.1.3.1. Spotify**

Spotify is a web service that offers commercial music streaming, podcasts and videos, which provides digital rights management-restricted content from record labels and media companies including BBC, Sony, EMI, Warner Music Group, and Universal. The platform allows you to browse through music or search by artist, album, genre, playlist, or record label. While allowing the user to create and modify playlist that are premade by other users or Spotify itself. One of the ways how Spotify earns money is by offering paid "Premium" subscriptions, which give the user additional benefits, such as removing advertisements, improve audio quality and allow users to download music for offline listening.

Spotify has been launched in October 2008 by a Swedish start-up company Spotify AB. According to Spotify it has currently (June 2015) more than 75 million active users from which are 20 million Premium paid users. (Spotify News, 2015) Spotify has entered the Czech market in December 2013.

Spotify AB deals with research and development in Stockholm, while Spotify Ltd. functions as the parent company with their headquarters in London. Currently Spotify employs over 1,500 workers and is present in over 55 markets. The founders of the company are Daniel Ek and Martin Lorentzon, while Daniel Ek is also the Chief Executive Officer. (GrowthHackers, 2014)

Last but not least is the Spotify's intension of becoming not only a music-streaming platform, but also a social one. It has engaged in cooperation's with Facebook and is encouraging the users to share, add and comment on the music. Spotify is not the only company in the industry that is intertwining music streaming with social media, although they are the first to allow interactions in the music platform to a higher degree than the rest of the competition.



There is a lot of data regarding Spotify, often referred to as the leader of online music streaming, which is supported by their financial statements, making them the most profitable with the highest amount of paying users compared to the rest of the industry's competition. Spotify has pretty much taken the European market, together with South America and a couple of other countries. Combined it has the highest number of listeners and paying subscribers, it is at the moment the global leader in its space, but remains second in terms of listeners in the U.S. market. (Mulligan, 2015a)

#### **2.1.3.2. Google Play Music**

Google Play Music has been in the music streaming industry for a while, but consumers might not know due to the frequency with which Google updates, improves, and adds additional features to the service. Google Play Music launched in beta back in 2011 as basically a cloud-based music player so the user could take his or her entire music collection with them wherever they went. In 2012 it came up with scan-and-match so it was possible to get high-quality versions of the outdated MP3's, which were downloaded years ago. Later in 2013 Google introduced the subscription-based (Premium) Google Play Music All Access. Google incorporated YouTube into their online player, which it had owned since 2006 and came up with YouTube Music Key in 2014. As mentioned before, Google Music Play has been hurling updates nearly every year and just recently it has presented curated playlists, instant mixes, and a few more features.

Google is putting up a fierce battle, which has just recently been underlined with its 30 million-song catalog, all songs streaming in 320kbps MP3 format, positions the online music player among the top contenders. Combining a music player and a store, offers the users to upload their own collection (up to 50,000 songs), have the music matched so it offers the user better versions of the songs he or she owns, thereafter gives the option to fill in the blanks in the users music library with songs and albums from the Google Play Music store.

There is an option if the consumer does not want to buy, he or she can listen to automatically generated playlists (using the technology developed by Songza, Google has acquired in 2014), internet radio, limitless streaming of whichever song in the catalog (with a subscription to All Access) and more designed from the music the user already owns and prefers. Music streaming is on demand, which allows offline access anywhere the user is without the necessity of having an Internet connection.

Together with the involvement of Music Key and YouTube accessed music and playlists, Google Music is extending its sphere to involve those consumers who use YouTube also as a primary music playback service and discovery engine. It is evident that Google Play Music is pushing through Google's not-so-popular social network Google+ the users to share their music experiences through Google's platforms. The service is available in 58 countries, with a 30-day free trial for All Access. Although the user does not sign up for All Access, Google Play Music still offers a cloud based music storage service and player. (Henry, 2014)

#### **2.1.3.3. Rdio**

In terms of value and dynamism it is most likely Spotify's main rival. Rdio offers to users moderate quality streaming (lower than Spotify and Google Music Play) of a music catalog with about 30 million songs (similar to Spotify). It also offers offline playback support, which comes with the subscriber's option. The key value of the company comes with its robust social networking features and one of the easiest and stylish interfaces in the industry. It is believed Rdio has a little over 500 thousand paying subscribers, which compared to Spotify's 20 million Premium listeners might seem negligible, but in the authors opinion it should not be disregarded due to its potential. (Peckham, 2014)

#### **2.1.3.4. Deezer**

Deezer is currently the chief rival of Spotify for the European market, as it is based from France. Most recent reports from the beginning of the year (2015) were positioning Deezer

as the second most popular streaming platform; this is due to the acquisition of Muve Music, which added 2 million new paid subscribers to their portfolio. All together Deezer has currently about 16 million users out of which six million are paying users.

This was Deezer's strategy of entering the North American market, which turned out to be a really thought through move. They have transformed Muve into an entry-level tier, making it cheaper than the rest of the competition, but still not entirely free. Deezer subsequently changed into a high-resolution audio service making them selves an up-market tier charging double of the regular competitors flat rate for their premium service.

Besides having an extended library containing regionally oriented music with a few more live albums compared to its rivals, Deezer does not offer any per se "game changing" features compared to other online music players.

(Forbes, 2015a)

#### **2.1.3.5. Apple Music**

Apple Music is with out a doubt one of the biggest news of 2015 regarding the music industry. It announced it has reached 11 million trial users (free three month trial) in the first 5 weeks and set it self a goal of reaching 100 million users by the year-end. (Mulligan, 2015b) It has acquired their online streaming know-how, by purchasing the company Beats Music in 2014. (Chowdhry, 2015)

The new service will be focused around two key branches, involving an on-demand streaming portion to challenge Spotify which will incorporate a large portion of the iTunes library (about the amount Spotify has) together with any of the users "purchased music" in iTunes. In addition it will provide a new 24/7 Internet Radio service called Beats One and a service called Connect, which is designed as a clipboard for artists to upload photos, lyrics and overall to socialize. Apple music has also declared a price war on Spotify, charging the same flat rate per person, but offering a family package (up to 6 members) for a price slightly higher than what a user would pay just for one person. (Waniata, 2015)

## **2.2. Survey of Online Music Streaming Services**

I have conducted a survey (see Appendix 1) in order to obtain additional information off of which I could further analyse the industry and a particular brand itself. Also possibly offering optional recommendations towards its brand strategy. Its purpose was to learn more about the buying and consuming behaviours of the consumers in the online music streaming services, as well as their perspective on certain brands of the industry.

It must be taken into consideration, that the survey was conducted without any financing and in a limited time frame, therefore the results can be hardly compared to those of a professional company invested into conducting such researches.

The questionnaire has been placed online (through Google Documents) for two weeks (from the beginning of August) and it was only accessible by a direct link. The survey was mainly spread through Facebook, where I came across the first difficulty of its objectivity due to the nature of the respondents, being mostly in a similar age group. The next factor that has interfered with its objectivity was the way the survey has been advertised, as a survey about online music streaming services, which probably will not be attempted by a person that has absolutely no knowledge of it whatsoever. Nevertheless, there might be slight objectivity issues from some points of view, but in consideration of my specific intentions it serves its purpose.

My initial expectations while creating the survey were following:

- ❖ E1: In the Czech Republic Spotify has the highest degree of brand awareness among its competitors
- ❖ E2: In the Czech Republic Spotify is the most used service among its competitors
- ❖ E3: In the Czech Republic Spotify users use equally the web browser platform and the Spotify application
- ❖ E4: In the Czech Republic consumers believe that among its competitors Spotify has the largest user base

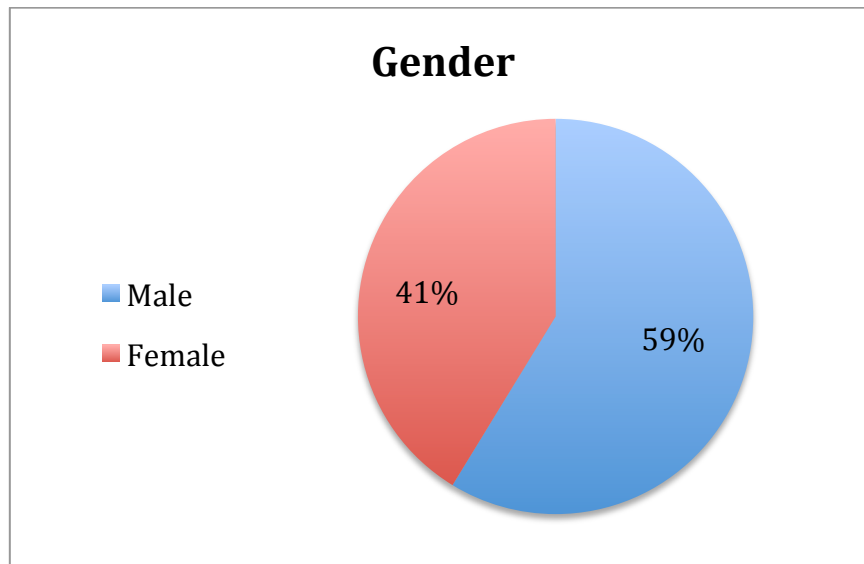
### **2.2.1. Survey Evaluation**

In the time the survey was active I was able to gather 63 respondents, where most likely many of them had some kind of knowledge of the online music industry. The survey included 22 questions out of which three were solely for sociodemographic purpose. It contained a combination of questions, which were closed, semi-closed and open. For the graphic evaluation of the answers I have used Microsoft Excel and basic statistical methods.

Overall it is possible to divide the survey into five parts. The first, as mentioned was designed to gather sociodemographic information about the respondents. Second part was aimed at the brand awareness of purposely chosen brands (according to user base; most popular in the region). Third part was focused on the usage and habits of consumers towards the services. The fourth part was meant to find out the specific reasons (which were already narrowed down) to why consumers use music-streaming services, what are the key benefits. The last-fifth part of the survey was dedicated to Spotify.

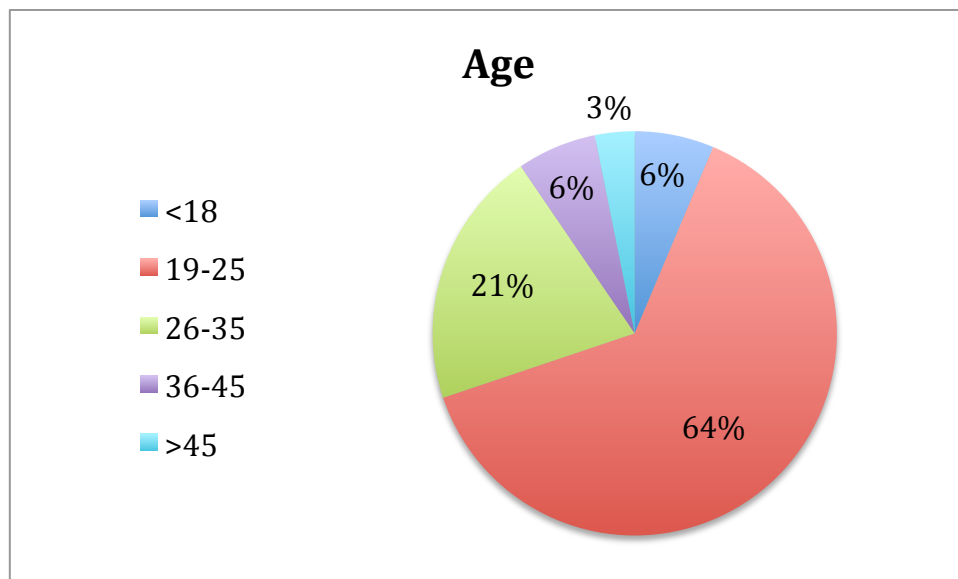
As mentioned earlier, due to the limited capabilities of distributing the survey as a student, the sociodemographic structure of the respondents has been effected by the fact that it has been distributed through the Internet, specifically social media.

Chart 4: Gender of the respondents



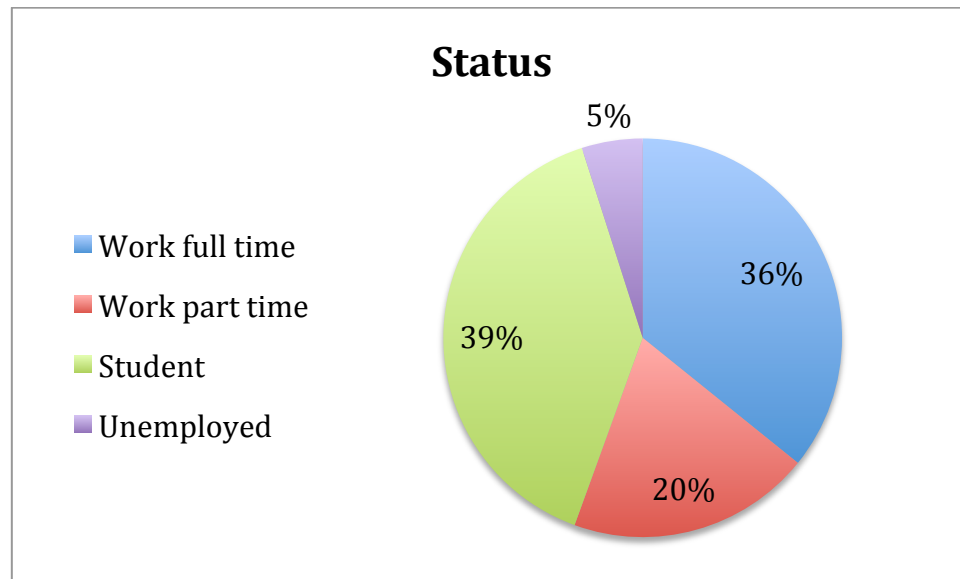
Source: Personal research

Chart 5: Age of the respondents



Source: Personal research

Chart 6: Status of the respondents



Source: Personal research

The higher presence of one gender (male) may indicate higher incline towards technological innovations and products. It also may just be a coincidence, either way it does not have an extraordinary impact on the outcome of the research. The age is as mentioned earlier in the anticipated range and correlates with the status in a foreseen matter. Chart 6, regarding the status had the option of choosing multiple answers.

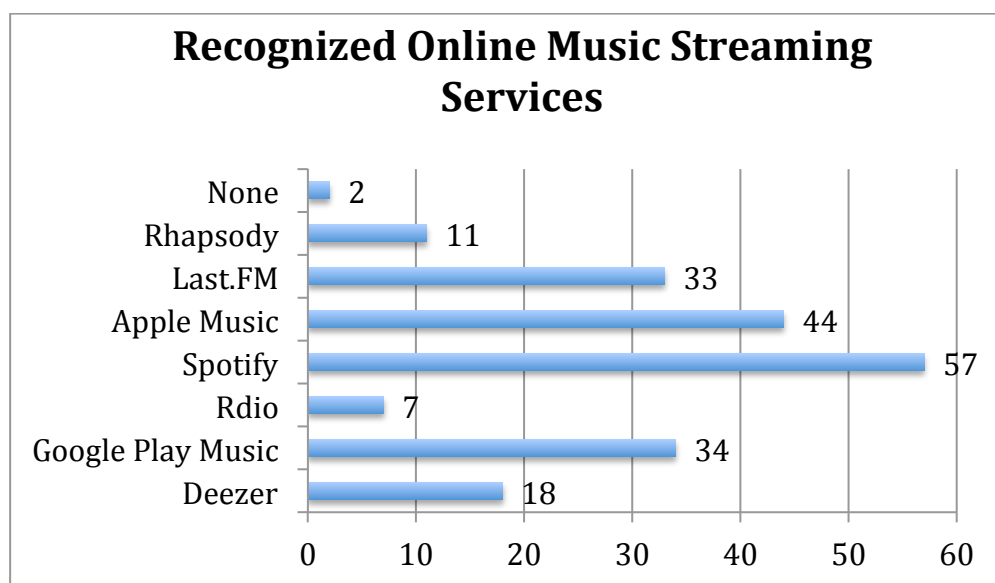
In reality, the dominant age group is not an issue, since it matches the targeted consumer segment that the companies focus on. Therefore the outcome of the sociodemographic part of the survey will offer the most relevant data for the brands analysis.

#### **2.2.1.1. Brand Awareness**

Chart 7 was the first question of the survey to start revealing information directly connected to the online music streaming services. It has shown the brand awareness of the top competitors in the region by asking: *"Please select the online music streaming companies you know or have heard of"*. Spotify has taken the first position for brand awareness, where

90.5% of the respondents knew or have heard of the company. Second came quite far behind with 69.8% Apple Music, which in the survey had Beats Music in brackets next to, since it has integrated it into its new service. That might have caused it additional recognition. The third and fourth most recognized companies had very similar amounts of votes. Third with 54% placed Google Music Play and 52.4% was achieved by Last.FM. With a significantly lower base of consumer knowledge positioned French company Deezer with 28.6%, next in line is Rhapsody that reached 17.5%. Rdio that has been recognized by only 11.1% of the respondents has reached absolutely lowest brand awareness. Two out of the 63 respondents said they do not know any of the mentioned services.

Chart 7: Online music streaming services recognized by respondents



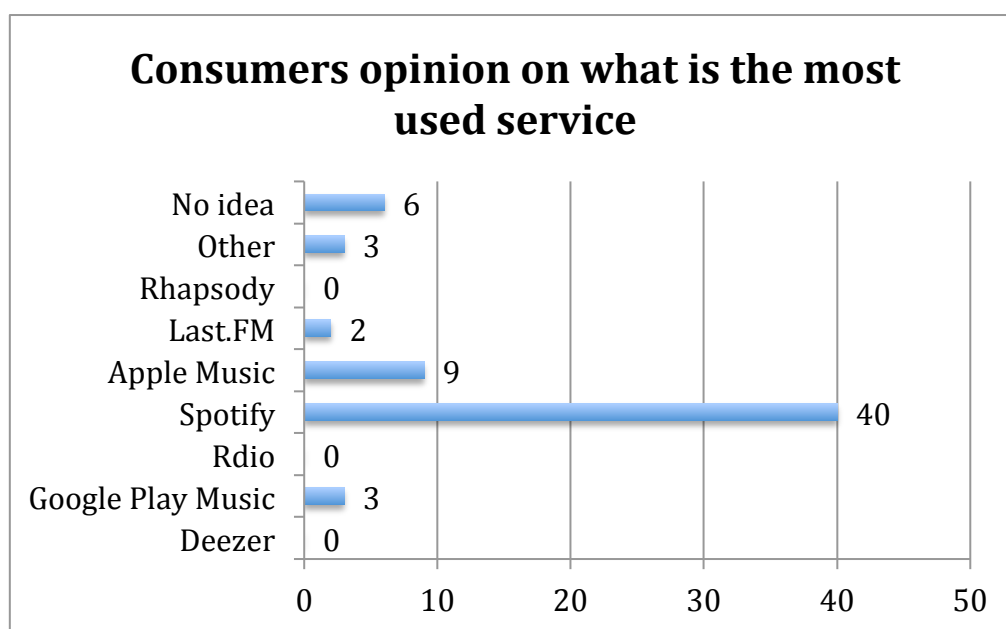
Source: Personal research

The second and last question in the brand awareness category is a little different than what typically is asked in this kind of survey. I asked the respondents: *"Please select the online music streaming company you think has currently the most listeners"*. Spotify absolutely dominated the answer sheet, where 63.5% of the respondents answered the same. Very far



behind landed Apple Music with 14.3%, which is still a success considering how new the service is in comparison with the rest of the rivals. Google Play Music had 4.8% right ahead of Last.FM, which reached 3.2% (2 votes). 4.8% of the respondents thought it was some other online music streaming service and 9.5% said they had no idea who has currently the largest user base. All three music services left; Deezer, Rdio and Rhapsody have not received a single vote.

Chart 8: What consumers think is the service with the largest database of users



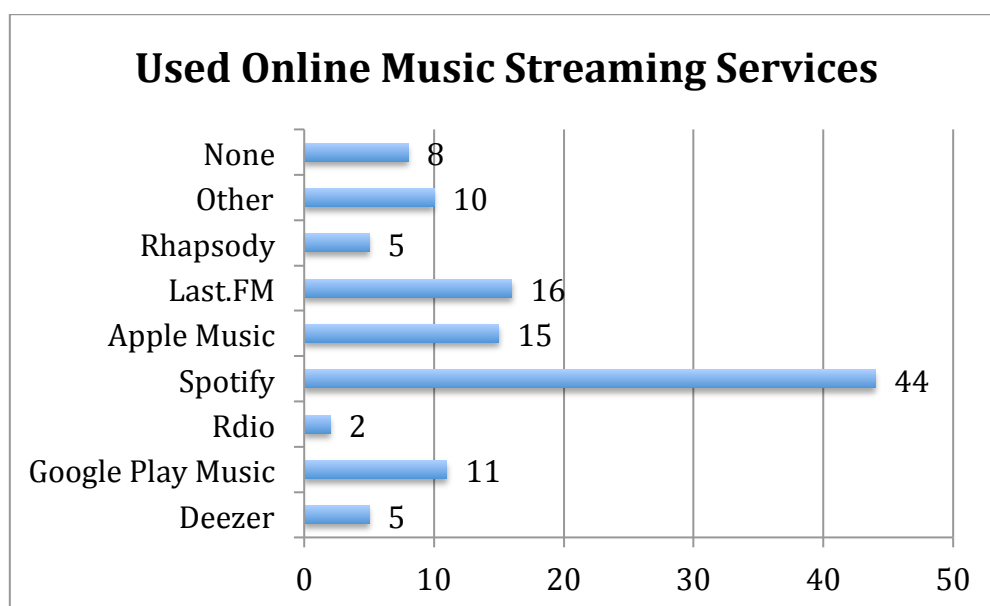
Source: Personal research

#### 2.2.1.2. Buying and Consuming Behaviours of the Consumers

This category started off with a question that has been directed towards the experience with the mentioned services: *"Please select the companies you use or have used for online music streaming"*. Spotify has been positioned again as the leader of the industry in the specific region. 69.8% of the respondents have at some point used Spotify. The gap between first and second is enormous. Last.FM has gained 25.4%, just barely beating Apple Music,

which has reached 23.8%. Fourth most used online music streaming service in the wider Czech Republic region is Google Music Play, which has 17.5%. 15.9% of the respondents said they have experience with different music streaming services, which are not on the list. Following positions are no surprise when taken into consideration answers from the previous question regarding brand awareness. Deezer and Rhapsody tied with 7.9% and last came in Rdio with 3.2%. Respondents that have answered that they never used any online music streaming service of this kind has been 8 out of the 63, which makes it 12.7%.

Chart 9: Online music streaming services used by respondents



Source: Personal research

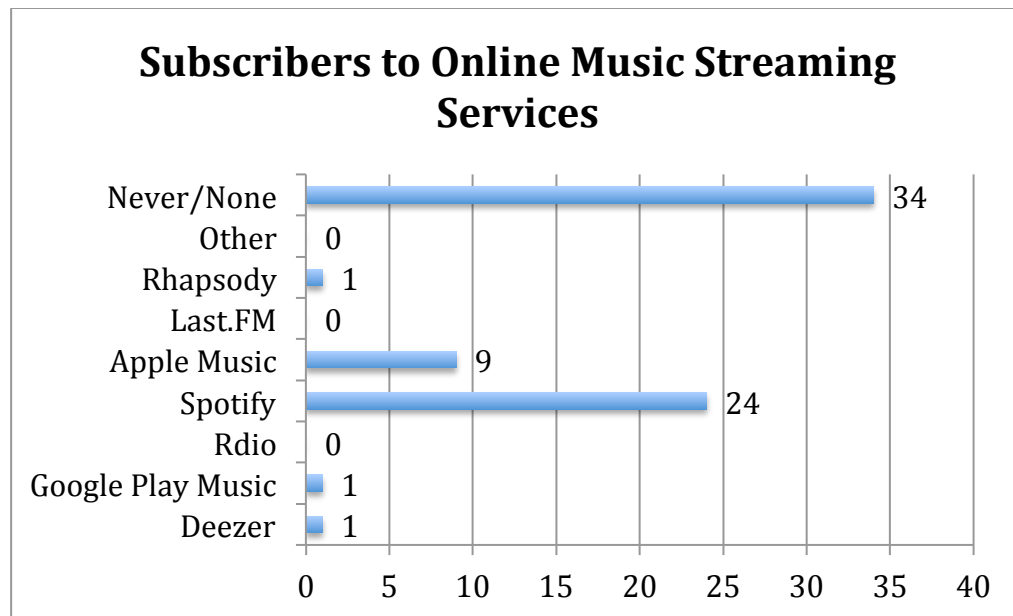
The second question in this category tries to find out the amount of respondents that are, or have been purchasing premium access to any of the mentioned online music streaming services. With no surprise it was the company with the largest previously established brand awareness. Spotify's premium access has been at some point in time purchased by 38.1% of the respondents. Second most successful service far behind Spotify is Apple Music that has reached 14.3%, which can be debated in two different directions. First that puts Apple

Music in the light of the fast growing newcomer, because as mentioned earlier it has launched a little over two months ago, but in contrary to that it has been giving out free three month premium access to all the users that joined.

Tied with only one respondent each (1.6%) is Deezer, Google Play Music and Rhapsody. The most frequently selected option was No - *"I have never subscribed to any of these"*, which has been confirmed by 54% of the respondents.

The outcome of this question that made a significant difference between Spotify and the rest of the competitors might be caused by the fact that Spotify offers as well as premium access, free access. This allows the consumer to try the product out and decide whether or not to purchase it; unfortunately the majority of the services mentioned do not offer the free tier and therefore does not have a clear image of what he or she is buying.

Chart 10: Online music streaming services subscribed to by respondents

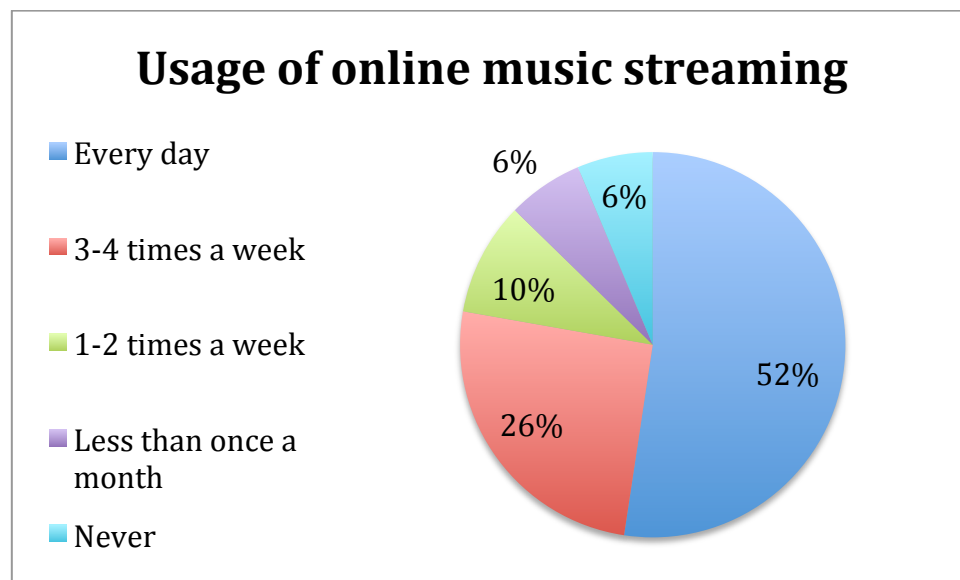


Source: Personal research

Next question is regarding the frequency with which are the music streaming services used. To which more than half of the respondents (52.4%) said they use it every day. The second most frequent option (25.4%) in terms of usage, but also in terms of being selected is; 3-4 times a week. 9.5% of the respondents said they use it 1-2 times a week and 6.3% claim that less than once a month. Same number of respondents (6.3%) selected that they never use online music streaming services.

With the knowledge of how many respondents subscribe and which of the services are possible to use for free it is quite evident that an absolute majority of the respondents are using Spotify every day.

Chart 11: Usage of online music streaming



Source: Personal research

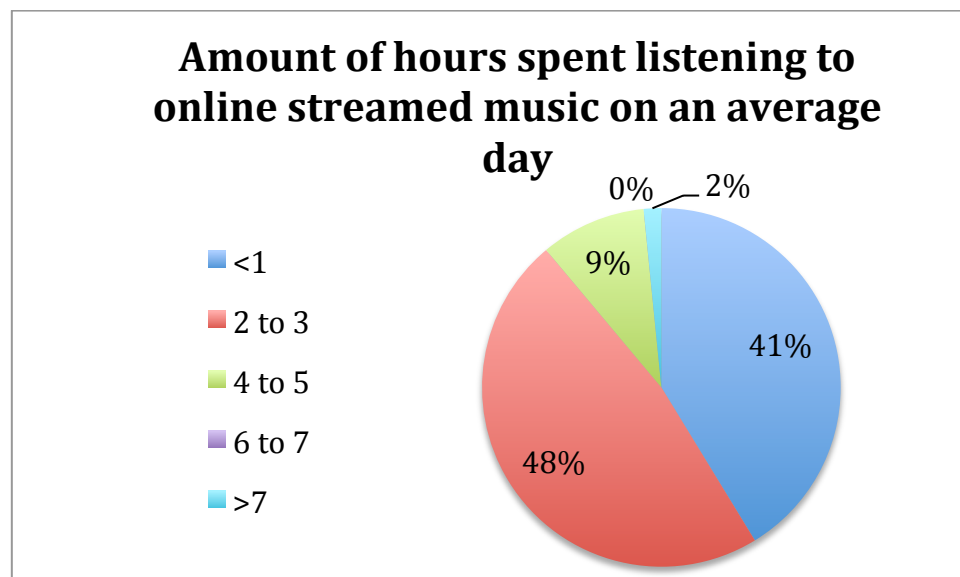
In order to get a closer look at the consumer's habits it was necessary to get information about the individual sessions when the consumer uses the service. There was also an additional question added, which had a purpose to show the difference in music listening habits between online streaming and searching your own home music library.

The questions were formulated as follows; *"On a typical day about how many hours do you spend listening to online streamed music?"* and *"On a typical day about how many hours do you spend listening to music?"*

In both cases the highest number of responses was 2-3 hours, which in the online situation reached 47.6% and in the other 44.4%. The major difference came into play when looking at 0-1 hour option where in Chart 12 is almost double (41.4%) compared to Chart 13 (22.2%), but in contrary to that the 4-5 hour option has a flipped scenario where Chart 12 has 9.5% and Chart 13 has 19%.

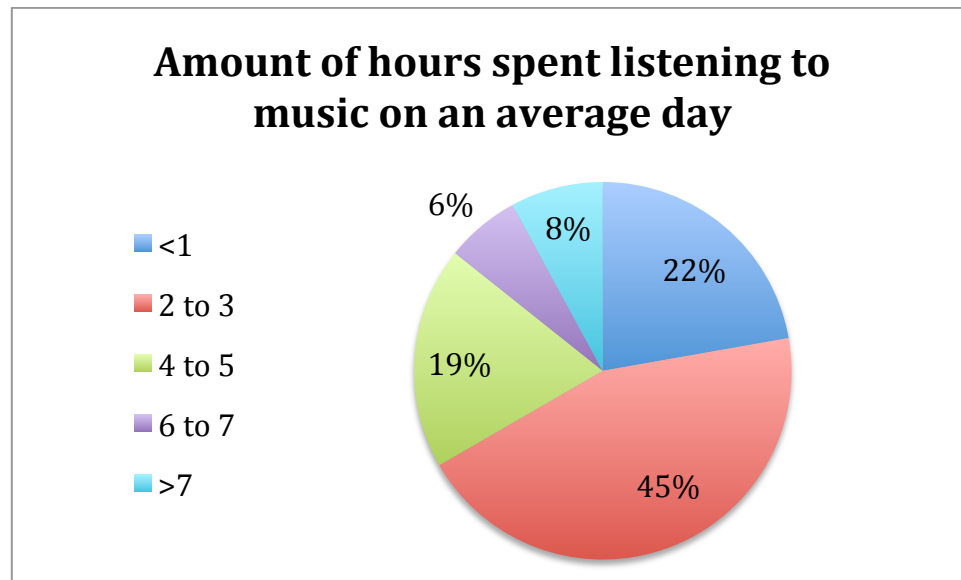
Overall there is a higher amount of hours per day spent by listening to the consumers' own music library rather than online music streaming services. This is in my opinion caused by people that do not subscribe and therefore do not use the services that otherwise require internet connection due to the fact that they are travelling or spending time somewhere where they do not have access to Wi-Fi or any other kind of direct internet access.

Chart 12: Amount of hours spent listening to online music streaming services on an average day



Source: Personal research

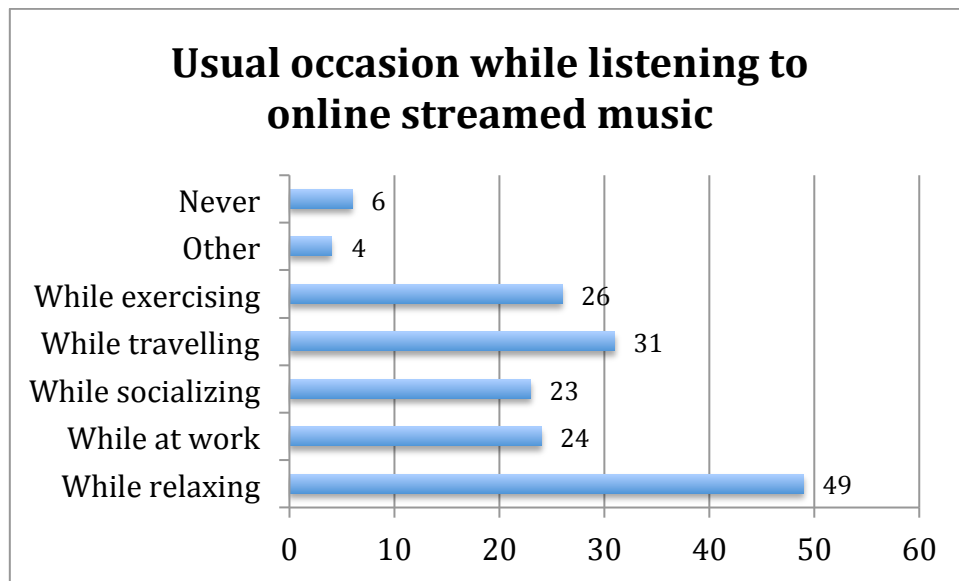
Chart 13: Amount of hours spent listening to music on an average day



Source: Personal research

Following question focuses on revealing the usual occasions during which consumers use online music streaming services. It was a semi-closed question, since it offered multiple options to choose. The most popular activity during which the consumer's listen to music was by far relaxing, which 77.8% of the respondents agreed on. Second highest occasion is while travelling with 49.2%. Listening to streamed music while exercising has earned 41.3% and following that is listening to music at work (38.1%). While socializing 36.5% of the respondents stream music and 9.5% mainly listen to music during activities other than mentioned. 6.3% of the respondents claim they never listen to online music streaming services.

Chart 14: Most common occasion during which consumers use online music streaming services

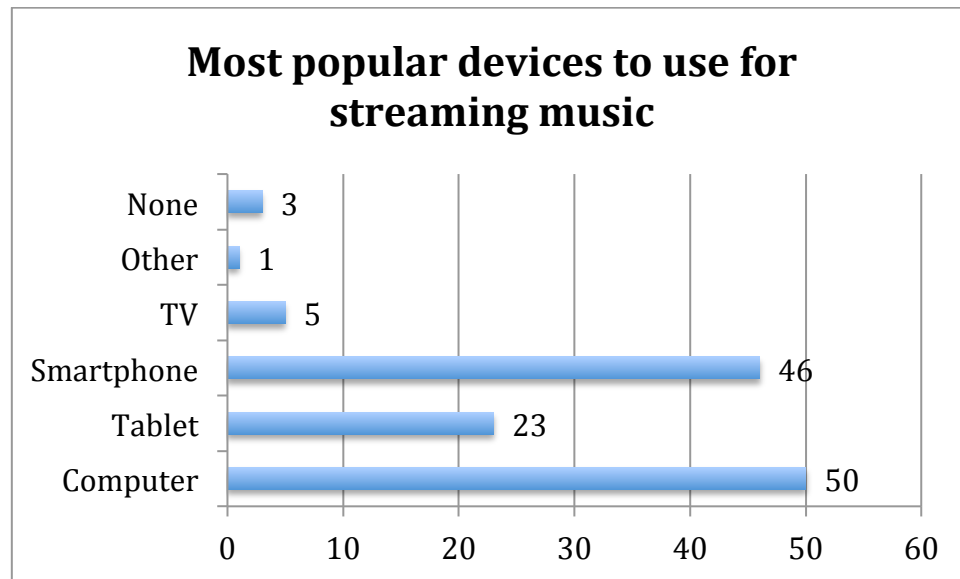


Source: Personal research

*"Which devices do you use for streaming music?"* - This question is important because some of the devices can run only the online music streaming services' application, some can be used only through a web browser and a few can run both (e.g., Computer). There is another question later on that will further specify this issue. Respondents could choose multiple options.

Two devices came very close to being the most popular for streaming music, first came computer, which 79.4% of the respondents use. Second is a smartphone, which 73% of the respondents use. Then there is quite a gap, tablet has 36.5% and then there is another large gap that stops at 7.9% for TV's. One person (1.6%) said he or she uses something else through which they stream music and 4.8% of respondents said they do not use any device at all.

Chart 15: Most common devices among consumers used for online music streaming



Source: Personal research

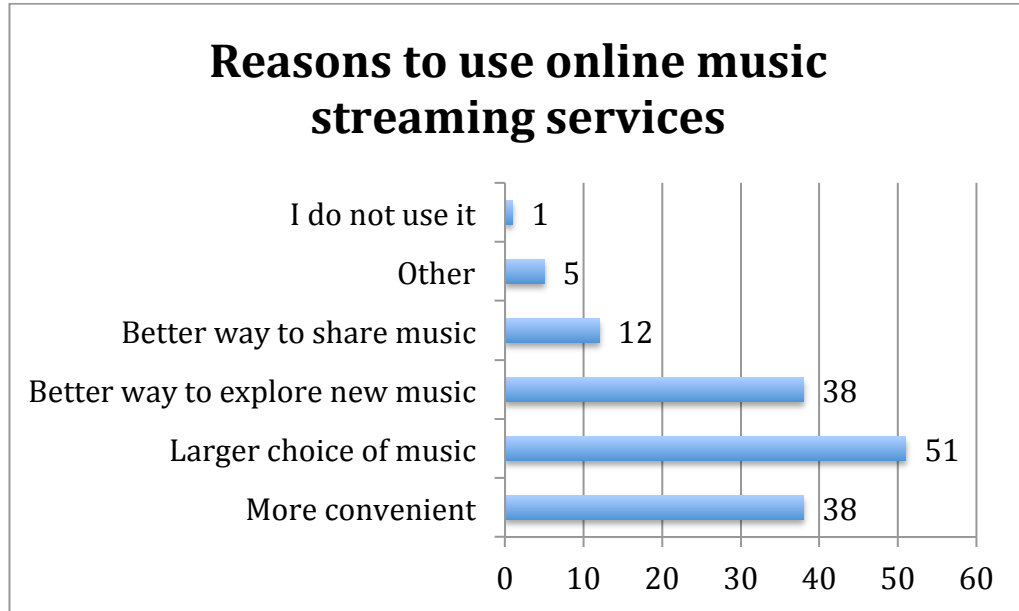
### 2.2.1.3. Factors Effecting the Consumers

This category starts off with a question regarding reasons why to use the online music streaming services. The choices given were based off of my own experience researching the top mentioned services and choosing the most relevant reasons/offers that the companies made while staying in the free tier. This again was a semi-closed question that had multiple answers to choose.

Larger choice of music seemed like one of the best reasons to 81% of the respondents. Exactly the same amount of respondents: 38 (60.3%), agreed on the fact that it is more convenient and a better way to explore new music. Then there is a large gap that drops down to 19% of respondents were in favor of the fact that it is a better way of sharing music. One person said there is a different relevant reason and 7.9% of the respondents said they do not use online music streaming services.



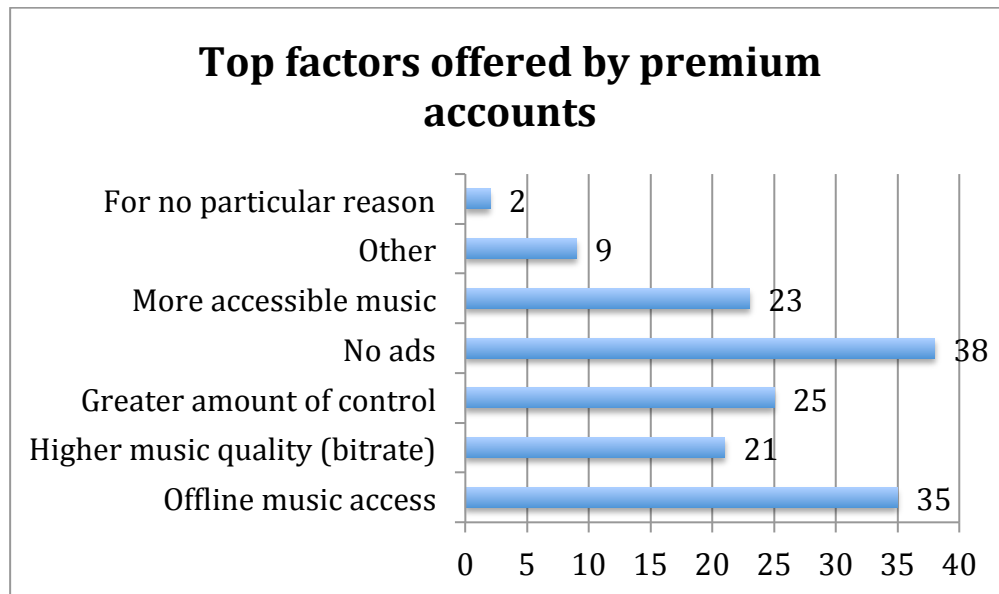
Chart 16: Reasons to use online music streaming services



Source: Personal research

Semi-closed question gave the respondents a choice of multiple answers. The question was formulated as follows: *"Which of the following factors would be or has been the leading cause for you to subscribe (pay for premium)?"* Most of the respondents (60.3%) agreed on having no advertisements were the best reason. Offline music access received 55.6%. Greater amount of control got 39.7%, which includes the abilities to skip tracks, shuffle playlists, select individual songs, etc. 36.5% said more accessible music and 33.3% liked the higher music quality (bitrate). 3.2% of the respondents said other reasons and 14.3% did not have any particular reason.

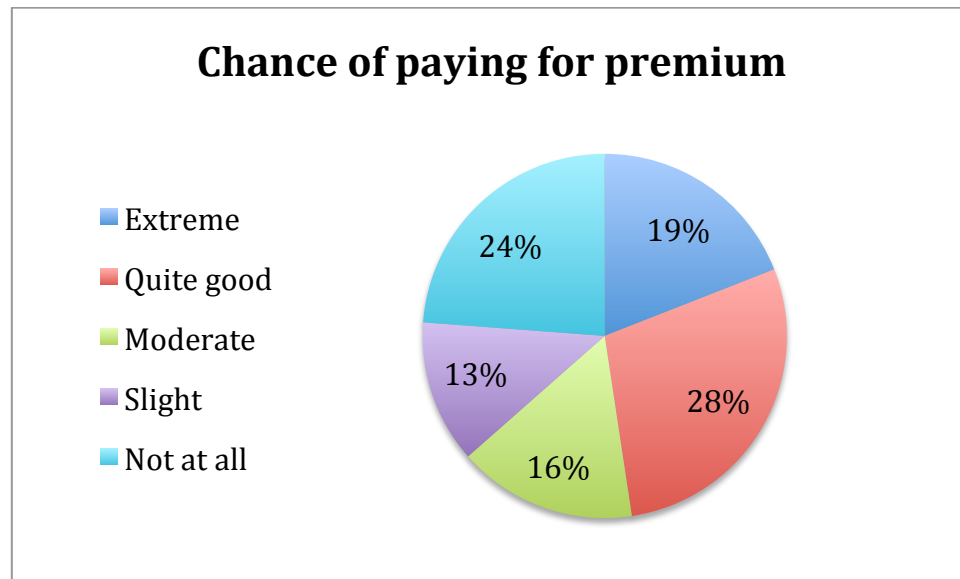
Chart 17: Top factors offered by premium accounts



Source: Personal research

The last question in the category of factors effecting the consumer is: *"How likely are you to pay for music content online instead of using a free service?"* I added a note giving the respondents an approximate price, which is on average 6 euros per month. Quite a good chance of purchasing premium has been voiced by 28.6% of the respondents, while second most popular answer was not at all (23.8%). Extremely likely to pay for premium are 19% of the respondents from where it goes scaling down to moderate chance (15.9%) and to slight chance, earning the lowest number of respondents (12.7%).

Chart 18: Chance the consumer will pay for premium instead of using free service



Source: Personal research

#### 2.2.1.4. Spotify Focused Questions

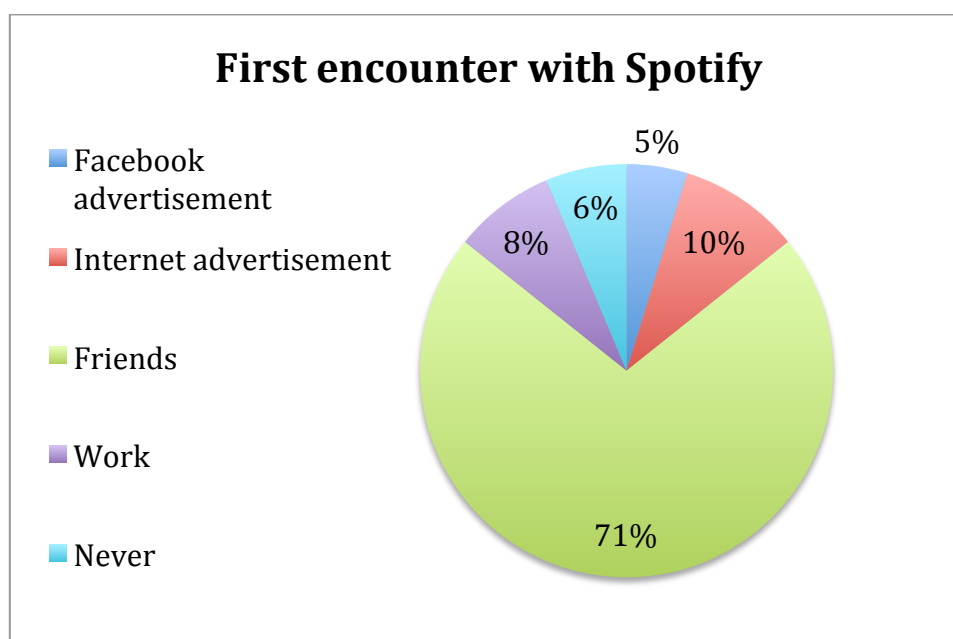
To start off this category I have asked the following question: *"When you think of Spotify, what words come to mind?"* This was one of the two open questions, where respondents had to write down their answers. The variety of answers was quite wide, but it was possible to group some of them together.

The most common association was "Music player" (about 27% of respondents) expressed in many different ways, next phrase is a little wider combination, but it can be summed up as "Convenient/Everywhere/Altogether" (about 25% of respondents). Close behind is the association with "Playlists" (about 20% of respondents). With a considerably lower frequency there were few terms that the respondents answered similarly; "Future/Evolution/Revolution" and "Customization/Personalized" (about 10% of respondents) were more often than "Green/Black", "Great/Nice/Awesome" (about 8% of the respondents) and on a more negative note, with the same frequency as the last two;

"Advertisements". Although some of the answers were unusable and out of context the overall responses were quite positive.

Next question in this Spotify focused category was aimed at finding out where have the respondents made first contacts with this service. An overwhelming majority said they have heard of it from friends (71%). Internet advertisements have reached 10% of the respondents. Third most popular place to find out about Spotify is work, and then Spotify advertisements placed on Facebook. 6% of the respondents said they have never heard of Spotify.

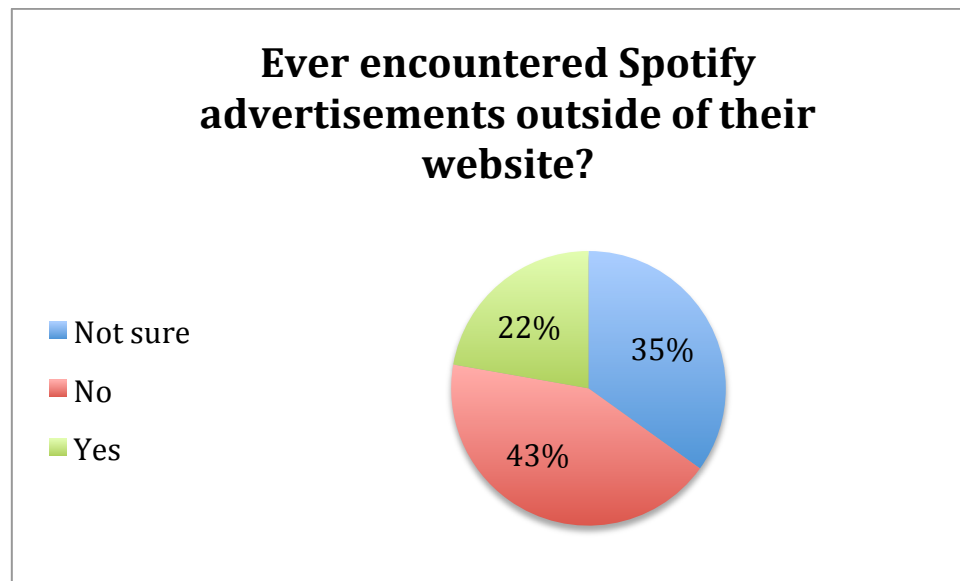
Chart 19: First encounter with Spotify



Source: Personal research

This question is a follow up on the previous question, where the respondents were asked if they have ever seen any Spotify advertisements outside of their website. The answers were fairly close, 43% said no, 35% of the respondents were not sure if they have ever seen any and 22% said yes.

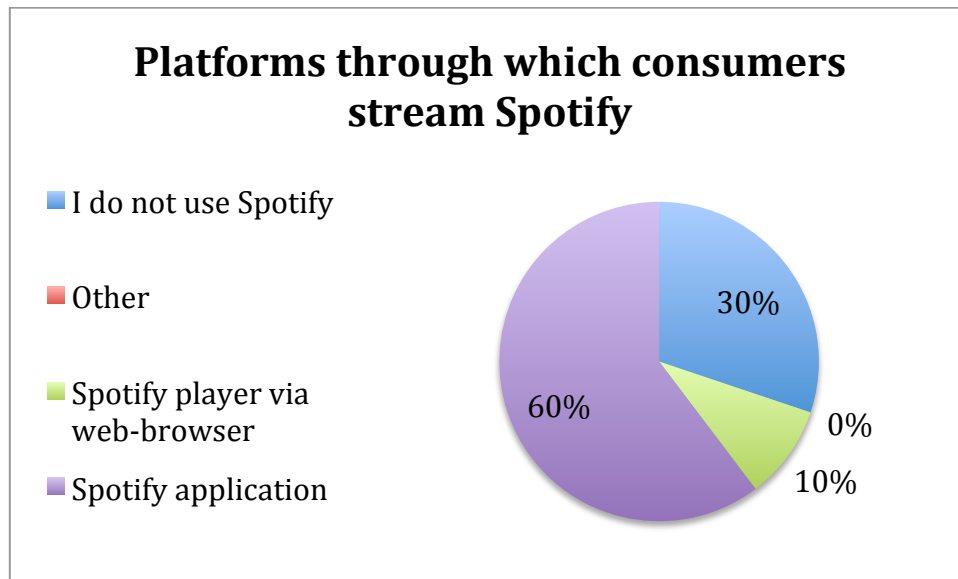
Chart 20: Have the respondents ever encountered Spotify advertisements outside of their website



Source: Personal research

As mentioned earlier while analysing Chart 15, where I asked the respondents through which devices do they usually stream, this question can be considered as a follow up. Since some of the platforms can be used only on certain devices. The most popular way of streaming is through the Spotify application, which was agreed by 60% of the respondents compared to the other possible way of streaming through the web browser (Spotify site) that received only 10%. The remaining 30% of the respondents claimed they do not use Spotify.

Chart 21: Platforms through which consumers stream Spotify



Source: Personal research

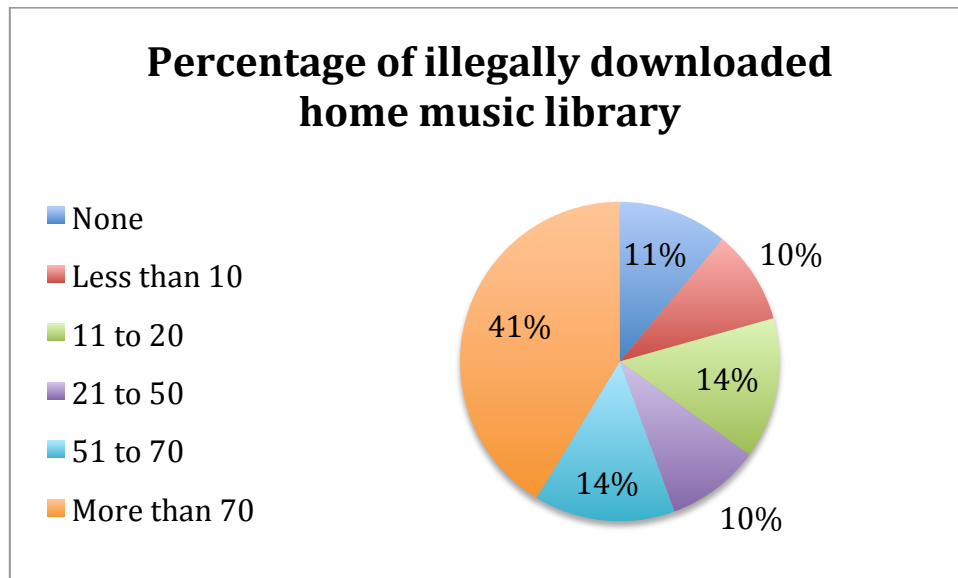
#### **2.2.1.5. Illegal Downloading Effected By Online Music Streaming Services**

I have chosen these additional two questions to examine the change in the consumers habits and also to verify the study about the study published on Spotify's website (Chart 3) regarding the decrease in illegally downloaded music with the arrival of the music streaming services.

First question was aimed at finding out how many percent of the consumers' music library has been downloaded illegally. Most of the respondents (41.3%) have answered that they have more than 70% of their personal music library illegally downloaded. Second most answered ranges were two; to have 51-70% and 11-20% illegally downloaded music have admitted 14.3% of the respondents. 9.5% of the respondents said they have illegally downloaded 21-50% and less than 10% of their music library. 11.1% of the respondents claim they do not have any illegally downloaded music.

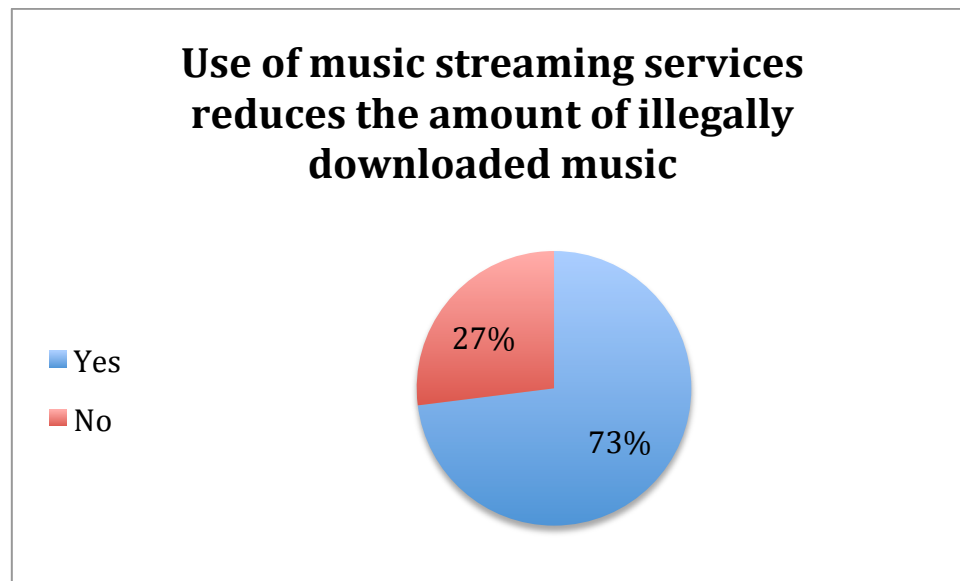
Following question asked directly if the use of online music streaming services reduced the amount of music the respondents download illegally. 73% of the respondents replied; yes and the remaining 27% said no, although the survey did not go into depth regarding this issue, it is quite obvious that the study has been partly verified.

Chart 22: Percentage of the respondents home music library that was illegally downloaded



Source: Personal research

Chart 23: Use of online music streaming services reduces the amount of illegally downloaded music



Source: Personal research

### 2.2.2. Evaluation of My Expectations

Now I can evaluate if my initial expectations were confirmed or denied. Although the sample of respondents could have been larger, the answers were usually quite clear.

- ❖ E1: In the Czech Republic Spotify has the highest degree of brand awareness among its competitors - *confirmed*
- ❖ E2: In the Czech Republic Spotify is the most used service among its competitors - *confirmed*
- ❖ E3: In the Czech Republic Spotify users use equally the web browser platform and the Spotify application - *denied*
- ❖ E4: In the Czech Republic consumers believe that among its competitors Spotify has the largest user base - *confirmed*



### **2.2.3. Summary of the Survey**

To conclude the survey I will summarize the key findings regarding the online music streaming services and the brand Spotify in the Czech Republic:

- ❖ Spotify has the highest grade of brand awareness
- ❖ Spotify is the most used online music streaming service
- ❖ Spotify has the most users paying for premium
- ❖ More than half of the users use music streaming services every day
- ❖ Users usually listen to online streamed music up to three hours a day
- ❖ Majority of users listen to online streamed music while relaxing
- ❖ Most users stream music through computers and smartphones
- ❖ Most of the Spotify users stream through the Spotify application
- ❖ The main reason for using online music streaming services is because of the larger choice of music
- ❖ The most desired features offered by premium accounts are absence of ads and offline music access
- ❖ The highest frequency of respondents answered the chance they would pay for premium is quite good, considering the price would be around 6 EUR/month
- ❖ Majority of respondents heard first about Spotify from their friends
- ❖ When asked if they have ever encountered Spotify advertisements outside of their website, the most frequent answer was no
- ❖ Over 60% of the respondents think that currently Spotify has the largest user base out of its competition
- ❖ Over 40% of the respondents said their personal music library has more than 70% illegally downloaded music

- ❖ Over 70% said that the use of online music streaming services has reduced the amount of illegally downloaded music

## **2.3. Brand Management of Spotify - Summary of the Current Situation**

In this part of the thesis I will summarize the current situation of Spotify from the brand management point of view. The literature review part contains theoretical frameworks from a variety of authors and researchers. Therefore the focus will be set on pinpointing the most important parts of brand management in regards to the type of company, which in this case, as mentioned before, will be Spotify. Davis (2002) who is one of the authors that developed a scheme of the brand management processes (see Appendix 2), which navigates you through phases where each function/element of the brand is defined, has also been partly an influence on the selection of the particular parts used in this section.

### **2.3.1. Recent Developments**

The most recent developments in Spotify's attempts to seize a larger portion of the market is titled: *"Listen and watch: Spotify evolves into your 24-hour entertainment destination"*. By this it means it has incorporated a few new functions and features into their service, which should bring them closer to the objective of their mission, being the main entertainment centre throughout the day. (Spotify Press, 2015)

- ❖ **Ultimate personalized playlist.** Spotify claims they will deliver the user the optimal music from the time they wake up, until the moment they go to sleep. Targeting situations, moods, etc., in order to deliver the perfect match, which Spotify says it will get by analysing and matching the users playlists with world renowned DJ's.
- ❖ **Spotify Running.** Spotify has developed this new application for running enthusiast. It has the ability to monitor the runners' heartbeat, so the music is

synchronized to the runners' tempo. User can select a distance and chose the tempo he or she wants to follow, which then makes Spotify create a personalized playlist and chose the songs according to the runners' heartbeat.

- ❖ **Nike+ app.** Spotify has teamed up with Nike in order to be able to reach their customers. Nike+ app designed for running will include Spotify's playlists and also integrate their application mentioned above; Spotify Running, which will be a part of the RunKeeper app.
- ❖ **Media Streaming.** This is Spotify's biggest news of the year. It is adding video clips and audio shows to their already present 25 billion listening hours music mix. Spotify has been in contact with a couple companies that create content for Google's YouTube service and other media streaming services. Again Spotify is empathizing the factor of personalization, which means in this context Spotify will learn and suggest videos based on your taste. It will include news and clips from large US television stations such as: ABC, BBC, Comedy Central, ESPN, etc. Besides that Spotify has created their own video content using celebrities and mostly focusing on running and other sporting activities.

According to The Wall Street Journal (2015) Spotify is entering another up hill battle. Owing the absence of profit in the music streaming industry it has turned to other media. A segment that has been long-term dominated by a single player (Google - YouTube) and where are dozen other long established companies, each focusing on a specific part of the industry (Netflix, Hulu, Twitter, Facebook, etc.).

In conclusion it seems that Spotify has branched out into this new territory (web-video business), because of the lack of profits it generates from music streaming and also because of the new giant player that entered the industry of online music streaming; Apple, with its service called Apple Music. That entered the market with a very similar player (app) as Spotify and offered together with music, video clips and images shared by musicians and other celebrities (directed towards a social network type of service).

### **2.3.1.1. Funding of Spotify**

As mentioned in the industry analysis, Spotify is a fairly new company, although proportional to the age of the industry. It is interesting to see how Spotify got their funding's to evolve into a company that has a valuation of \$10+ billion dollars.

Starting in Sweden following a phase of closed beta, Spotify officially launched on October 7, 2008, with \$21.6 million in Series A funding from Li Ka-shing, Creandum, Northzone, and Horizons Ventures. In August of 2009, the company received another \$50 million in Series B funding from Li Ka-shing, Horizons Ventures, and Wellington Partners, followed by \$16.1 million in Series C funding from Founders Fund and Sean Parker (founder of Napster, Plaxo, Airtime, Founders Fund, etc.) in February 2010. (GrowthHackers, 2014, Crunchbase.com, 2014)

By September 2010, just shy of two years post-launch, Spotify's catalogue had grown to over 10 million tracks—closing the gap between Spotify and iTunes, whose catalogue at the time included 11 million tracks. (Wired UK, 2010) By March of 2011—just four months prior to the company's US launch—Spotify had grown to 6.67 million users, one million of whom were paid subscribers. (BBC News, 2013) By November of that year, the number of paid subscribers had more than doubled to 2.5 million. (Spotify Blog, 2011) Just one year later, in December of 2012, the service had grown to 20 million users and 5 million paid subscribers. (Weber, 2012) In that time, three more rounds of funding from investors such as Digital Sky Technologies, Kleiner Perkins Caufield & Byers, Accel Partners, 137 Ventures, AFSquare, The Coca-Cola Company, Fidelity Ventures, Lakestar, Goldman Sachs, and Technology Crossover Ventures, brought the company to its current total of \$537.8M in funding (Crunchbase.com, 2014), with the most recent round at an estimated valuation of more than \$4B. (Wall Street Journal, 2014), (Brustein, 2014)

Since that last round in 2013, the company is likely at or near the \$10 billion valuation range. (Bertoni, 2014) The company's most recently released data, dated June 10, 2015, puts Spotify's total user base at 70 million—20 million of whom are paid subscribers. (Spotify News, 2015)

### 2.3.2. Brand Elements

The brand elements used for Spotify are described in Table 6.

Table 6: Brand elements of Spotify

Brand Name	Spotify
Logo / Symbol	Slightly tilted Wi-Fi symbol in a circle. One of the two parts is usually green. With a white Spotify sign, either bellow or to the right of the circle. Via Image 1.
Color / Style	Green, Black and White.
Representatives	Does not have an official "mascot" of the brand, but is often pictured with Daniel Ek, the founder and CEO of the company.
Slogan	Spotify uses multiple slogans on their web pages. The ones seen the most are probably: "Music for now", "Spotify is the right music for every moment" and "All the music you'll ever need".
Jingle	Upbeat melody, designed to catch attention accompanied by a voice informing about Spotify's available features. Plays only on Spotify, on free, non-premium accounts.

Source: Personal research of Spotify Ltd.

Image 1: Spotify logo.



Source: Spotify for Artists, 2015

### **2.3.3. Brand Vision**

Spotify is on a crusade to remodel the music business. Founder and CEO of the company Daniel Ek and his team say they want to enable everyone to listen to any song in the world, whenever and wherever they want. Daniel Ek goes on record by stating his vision: *"We want to bring music to every single person and bring it to every moment of their life"*. (Lynskey, 2013) Also by doing so, Spotify wants to quadruple the size of the music industry.

### 2.3.4. Brand Identity

The second point in Davises scheme of the brand management process is brand identity, which is the image wanted by the company to be perceived by the customer. With the information I have I can describe only the current image of the brand, meaning how the customers actually perceive it. This will be based mainly from the survey I have conducted and also from my personal opinion, as a consumer.

Spotify's image has been identified as: the largest and most known online music streaming service in the industry. Since Spotify is focused on millennial's (age 18-34) it tries to brand it self as a rich and lively ecosystem as is the music culture it fronts, rather than a technology company simply serving music.

As far as associations go, I can try to derive it from the frequency they have been mentioned. In that case the strongest associations would be *convenience*. These strong associations are based mainly off of the personal experience of the consumer, which in Spotify's case is 70% of the respondents of the survey. The strength of the association is being based off the fact, that it has been the most frequently mentioned association (25% of the respondents).

Spotify is also quite strongly linked with *playlists* (20% of respondents), which the service is practically based off. Either the consumer creates personal modified ones, or chooses from the never ending list of hand picked playlists

Weaker associations have been mentioned as *evolution* or *future*, also *personalized* and *customization* all had about 10% of the respondents mentioning them.

Regarding the favorability of the associations, overall all the more frequently mentioned ones could be considered as positive. As unique associations can be considered such as: *great*, *nice* and *awesome*, and also associations with the color *green* and *black*.

### 2.3.5. Brand Mantra

Spotify's considers the brand mantra as an essential part of the brand and company it self. Their mantra is: "Easy, Personal, Fun". It seems very straight forward, but Spotify has published documents, explaining and defining their brand personality for the purpose of serving as Partner Brand Guidelines.

- ❖ **Easy.** Effortless, intuitive and blissfully jargon-free. *"Spotify is effortless and intuitive. So are our words. Often that means less is more. Our users may share a love of music, but they live all over the world. Please keep it simple and keep it clear. And no jargon. Yes, the technology is amazing, but our users just want to know what it means for them."*
- ❖ **Personal.** Informal, friendly and relevant. *"It's like talking to a good friend - informal, colloquial and warm. Personal also means relevant. After all, we know what our users like, so we can always talk to them about things they care about. The right message for the right moment. Please bring copy to life with plenty of real-life music moments."*
- ❖ **Fun.** Playful, with a hint of irreverence. *"Come on, this is music we're talking about! Let's have some fun. As well as being crystal clear to understand, our copy is playful and entertaining. We say yes to a touch of irreverence, and we're not afraid of humor. That's because we're amongst friends."*

(Spotify, 2014)



### **2.3.6. Brand Positioning**

In the case of Spotify's brand position it has been in a way mentioned in brand identity. Spotify has been described as the leader of the industry of online music streaming services. The targeted age group is the millennial market (18-34) that makes up a whopping 65% of their demographic. Some researches also indicate that Spotify has picked up from where MTV has failed to retain their customers by adding things to their content, which were not connectable to the audience in a sense of belonging in a culture or community.

In the survey respondents chose Spotify to be in their opinions the online music service that has the largest user base out of all of its competitors, which in matter of fact is true. As it was mentioned in the industry analysis Spotify does have the largest customer base in Europe and is for now tied with Pandora in the United States.

Due to the fact that it has a free tier as well as a premium tier, this earns it a lot more users than the conventional services, which offer usually only a premium tier. The survey has proven that if someone in Czech Republic is using an online music streaming service the chance of it being Spotify is at least 70%, so if a consumer decides to start using one of the services, the chances he or she joins the same service as their friends, colleagues or acquaintances is much higher. Therefore Spotify is currently among users considered the most convenient online music streaming service in the industry.

### **2.3.7. Brand Extension**

As mentioned before, a few months ago the company has started media streaming (clips, web-videos), although it is incorporated in the same application. It is a new product under the same brand. Incorporating Spotify and its application Spotify Running into Nike's application, called Nike+ can also be considered as brand stretching.

### 2.3.8. Communication Strategy

Spotify does not invest much into mass advertising such as TV, radio and billboard ads. It has developed its own more personalized ways to address targeted groups of people based on age, gender, geographic area and things they like on social media, since the communication is conducted through social media.

Spotify has invested into Sprout, which helps them manage social profiles across all the major social networks and medias. Its main communication method is as said addressing specific groups with closely chosen events, songs, playlists and overall offers. For example (*this is a fictional scenario based on the understandings of my research*): If my friends on Facebook have Spotify and upload pictures from concerts, Spotify will use those pictures together with a choice of music that I may have associated with somewhere on Facebook and place an add for me to see on Facebook, mentioning either the artist or the concert that my Facebook friends have attended and it might offer me to listen to the newest songs from the artist I have at some point associated my self with. (Sprout Social, 2014)

Besides these well-collaborated personalized ads, Spotify uses short audio clips between songs in their free user tier, which is focused on advertising their own features and content they offer.

Spotify is also offering a self promoting service to other companies, where they can use Spotify's custom playlists (customizable if needed) which are supposed to associate with the customers of the particular company that they can use to promote themselves. For example: An outdoor company focused on sports enthusiasts with a specific age range and geographical location will be offered a playlist by Spotify, which has thanks to their data collection that comes from their users enables them to serve the currently most popular music among the requested market segment.

Unsurprisingly they have a website that changes country to country, where it is targeted on newcomers as well as customers that are familiar with the service. The design of the site is very simple with large pictures that symbolize relaxation, energy, fun and happiness, with short messages usually telling the consumer to live now for the presence and have what you

want and love at any time and anywhere, essentially offering the consumer a better and happier life.

Overall Spotify's communication strategy differs region to region; currently the Czech Republic region (together with Slovakia, Poland, etc.) has not been fully integrated to all the features Spotify normally uses in the countries they have been in long enough to become well established. This is of course just a matter of time until Spotify collects enough data on their users in the region to customize their targeting advertisements.

### **2.3.9. Price Strategy**

In the Czech Republic Spotify does not have any special price strategy, it follows the trend of other music streaming services, which usually have the same price per person. In the United States Spotify's price strategy is focused on students, which after providing student identification receive a 50% discount on Premium.

### **2.3.10. Internal and External Brand Factors**

In this part of the further analysis of Spotify's branding strategy will be considered the internal and external factors, which will be included in four attributes. These are the strengths, opportunities, weaknesses and threats of the current position of Spotify on the Czech market of online music streaming services.

These factors are based on the findings of my research together with the survey that was conducted and also my personal opinions, as a customer.

#### **2.3.10.1. Strengths**

- ❖ ***Internal factors.*** The company has 75 million users, out of which 20 million are paying users, which no other global online music streaming service has. It is one of the few music streaming companies that offers a free tier as well as a premium

tier. Survey respondents have mostly positive associations with the service. High transparency (branding guides for future cooperation's, royalty fees payout process, current projects, etc.). Unparalleled mobile and desktop app design offers probably the most user-friendly digital online music service on the market. Millions of playlists created by Spotify, users, artists, etc., which are accessible by anyone.

- ❖ **External factors.** The main strengths that the company possesses is being the industry leader and having the highest grade of brand awareness, which when exaggerated allows them to focus more on long-term goals, rather than the day to day tasks. It has one of the largest music libraries in the industry (currently over 30 million songs).

#### **2.3.10.2. Opportunities**

- ❖ **Internal factors.** Brand identity shift to more of a lifestyle company, while addressing the local needs and requests. Also regarding the brand identity, I think the company could differentiate their strategy and not be focused only on the mainstream trends and customer focus. With an increase in profits it would enable Spotify to contract more artists. Differentiate price policies to interest certain segments of customers.
- ❖ **External factors.** Change in the legal system in terms of focusing on reducing illegal downloading. Overall a constant, never stopping digitalization of the world. Artists are increasingly getting used to and accepting the fact that music will be sold by streaming and also younger generations are more digitally inclined. Continued developments of mobile technology offers live concert video streams and performance broadcasts that remain an area of potential expansion. In the eyes of the users and especially in the musicians opinions make a shift to a music friendly company, rather than being a music mining company.

#### **2.3.10.3. Weaknesses**

- ❖ **Internal factors.** Medium and smaller artists are not satisfied with the amount of money they are being paid; some of them are even leaving and giving them bad press. Due to the free tier it has low profitability, which results in high reliability on the income from premium subscribers and overall limits their sources of income. Limited use for free tier users together with a high amount of advertisements. Music library is still limited by artists (mainly older ones) withholding to publish their albums on Spotify's service. Spotify does not have a price strategy that would focus on their target segments of customers. Spotify does not include local artists enough to be on a satisfactory level in the eyes of the local market. It is lacking a system of communication strategy - commercials regarding new market entry and attaining consumers that are not invested into social media.
- ❖ **External factors.** Consumers are too used to illegally accessing (downloading) music for free, which is also caused by the nature of the Czech legal system that does not intervene severely enough against illegal downloading compared to other countries (USA, Canada, Sweden, Norway, etc.) where the cultures are in my opinion more conscious of breaking the law, which is subsequently the result of their legal system. Public hesitance of paying through the Internet. Older generations that are technologically enabled and invested, but do not participate in social media have due to that a much lower chance of noticing Spotify because of its communication strategy.

#### **2.3.10.4. Threats**

- ❖ **Internal factors.** Artists are leaving due to low profits. Artists are loudly expressing their opinions about Spotify's policies, which is consequently giving them bad press and endangering the brands identity and positioning. Excessively

mainstream focused. Over focusing on one of their tiers (free or premium). Having a stale and uninteresting price strategy.

- ❖ **External factors.** Apple Music has just recently joined the online music streaming service industry and is Spotify's main challenger. Change in technology. New streaming services coming from Asia with additional features (e.g., Guvera). Long-term challenges from illegal download sites. Culture not ready or unaccepting the fact that music will not be for free (millennials). Medium barriers of entry for new competitors and also many current competitors growing together with Spotify on the new technological trend.

#### **2.3.10.5. Evaluation of The Internal and External Brand Factors**

Each of the four main factors, strengths, opportunities, weaknesses and threats that are further divided into internal and external factors, each have a different importance in terms of possible solutions and overall brand influence. The factors I consider that have higher relevancy for the company in the region are considered either for the plausible outcomes of my thesis that will take into account certain factors on which recommendations can be built regarding their strategy in the Czech Republic, or as points of interest for the company to be considered and built on, which may result in strategy improvements in the specific market.

Important internal factors that I consider to be essential from the strengths of the brand is the fact that the company offers a free tier, which is used by over 75 millions users world wide and regarding the survey has mostly positive associations being made with the brand. The main external strengths that the company possesses is being the industry leader and having the highest grade of brand awareness is the fact that they have the highest brand awareness and are currently the leader of the industry (not only in the Czech market).

Regarding the opportunities and its internal factors is the shift in their brand identity towards becoming a lifestyle company, rather than a being viewed as technologically oriented brand. Also regarding the brand identity, I think the company could differentiate

their strategy and not be focused only on the mainstream trends and customer focus. Externally the brand has opportunities to widen their focus from established millennials (18-34 years) to younger generations that are more digitally inclined, as well as older generations that are looking for the newest trends and feel to be part of the digitalization age. Continued developments of mobile technology offers live concert video streams and performance broadcasts that remain an area of potential expansion together with a shift in the eyes of the public towards a music friendly company, rather than being a music mining company.

Internal factors regarding weaknesses that could be addressed are the facts that Spotify does not have a price strategy that would focus on their target segments of customers. The brand also does not include local artists enough to be on a satisfactory level in the eyes of the local market. It is lacking a system of communication strategy - commercials regarding new market entry and attaining consumers that are not invested into social media. Externally the weakness is that the older generations that are technologically enabled and invested, but do not participate in social media have due to that a much lower chance of noticing Spotify because of its communication strategy.

Threats and their internal factors regard the excessive focus on mainstream trends and customer segments. Having a stale and uninteresting price strategy. The external factors involve Apple Music recently joining the online music streaming industry and having connections in the music industry that can exceed Spotify's current involvement. Medium barriers of entry for new competitors as well as many current competitors are growing together with Spotify on the new technological trend of streaming.

### **3. PROPOSALS AND RECOMMENDATIONS**

#### **3.1. Brand Management of Spotify - Evaluation and Future Recommendations**

This part, which is the final part of the diploma thesis, will suggest recommendations that will be built on the internal and external brand factors, which are divided into four groups; strengths, opportunities, weaknesses and threats. Based off of these factors together with the current situation analysis and the conducted survey, and including my input, as a customer will determine the possible suggestions that might help or improve Spotify's strategy and position on the Czech market.

From the realities mentioned in the previous parts of the thesis it is noticeable that the company is doing very well and heavily invests in its brand management. This is supported by its position on the market (currently the leader) and from the results of the survey. Given that the strategy of their brand management is obviously a success it will make it quite difficult to provide recommendations that the company might not already be investigating, therefore I will focus on specifics of the targeted market and offer strategy improvements that might help the company improve its current position, and also increase its resilience against incoming competition.

Besides the suggestions I will offer in the following sub-part that are within my powers considering the available resources. The other recommendation based off the accessible data as a student (non-internal) is to continue with this systematic and thorough care of the brand, which will chiefly aim at long-term increase of the brand value. Also in case they do not have a suitable and long-term consistent system of brand management together with a tool that evaluates its effectiveness, then I urge its application as soon as possible.



### **3.1.1. Brand Strategy Recommendations**

Since the company, as mentioned has an already well-established position and is heavily invested in its global branding strategy I will not offer recommendations to every part of the branding process. Based on the internal and external factors together with the overall evaluation of their current situation and the data analysed from the survey including my personal input as a customer. I came up with four possible alternations to their strategy regarding the Czech market and their somewhat recent entry that might increase and consolidate their current position as the leader of the industry/market, which goes hand in hand with increasing their resilience against the growing competition.

From the evaluation of the factors I chose to recommend a change regarding the brands identity, which is narrowly focused on the mainstream trend of the current music scene. Also the identity of the company being technologically oriented in the eyes of the consumers, which may be shifted towards a lifestyle associated brand. Next is connected with their brand positioning, which is too focused on what they call the millennials, which are people that are 18 to 34 years old. Third possible strategy recommendation is towards Spotify's communication strategy, which does not address people outside of social media networks. Last but not least is their pricing strategy, which is not existent, regarding special offers or targeting certain segments.

#### **3.1.1.1. Brand Identity**

The brands identity is overall quite well formulated, as we established earlier the consumers view it very well. Although the brand has many positive associations from the consumer side it has potential to become even more integrated.

The brand has room to become more of a lifestyle brand, rather than a technology brand. This of course does not mean the company should distance it self from improvements by research and development, but move the branding side of the company in a way closer to being "one of the artists". The consumers should view the company almost as a music producer and connect it with pleasant situations, rather than the application itself. This may

be achieved by doing promotions, such as concerts, festivals, events and overall support of the music scene. Many of these connections, which are a paradox, can be made by the improvements of technology that offer streaming of such large events. These can be focused globally as well as regionally, which will influence people that would otherwise never come into contact with such a company/service.

Next point of recommendation towards its brand identity regards, as mentioned, the diversification of their focus. Currently the company is overly focused on mainstream trends that are connected with the most up to date music, this although successfully targets a major group of their target segment (millennials) limits their possible influence of consumers on the far sides from the centre. The brand should invest into creating a diversified image focused on older music, such as rock, etc. that would attain a broader audience, which due to their possible age (in context with the music), therefore their financial status may offer a lucrative segment of paying subscribers.

#### **3.1.1.2. Brand Positioning**

Although the positioning of the brand is well formulated there is a somewhat rigid approach towards focusing on millennials (age 18-34). The fixation on this age group and what Spotify assumes is their main style of music might be the mainstream they are looking for, but at the same time they are neglecting the users on the further ends from the centre. Regarding the age group itself should be modified; I would suggest focusing on even younger people, 14 years old and higher, since children tend to join into the mainstream, therefore fitting their target segment. While these children have highly developed technological skills in terms of following and using the latest technological trends.

Taken the age modification from the other end, Spotify seems to neglect the generations that are above 35 years old. This might be caused by the assumed digital gap, which is of course very individual. As mentioned, Spotify should target these generations by diversifying their brand identity, events and promotions, and advertisements, which I will get to in the following in communication strategy. These generations of 35 year olds and

older have a high probability in the Czech market, considering it is a post communist country and these generations started getting their hand on the latest trends and technology with a considerable delay, therefore they still might feel like they need to try more and have a motivation towards staying a part of the ever evolving world of technology and trends.

### **3.1.1.3. Communication Strategy**

The communication strategy Spotify is using is quite sophisticated and unique. Use of the most developed and personalized targeting advertisements is the future of the younger generation, but as it was mentioned at the beginning, Spotify can significantly higher its brand awareness in the Czech market. This is in regards to the fact that Spotify is addressing people almost exclusively through social media networks, therefore there is a need to diversify and grab the attention of people not involved in these technologies, although they dispose with the technological skills enabling them to use the service.

Television advertisements, although they are quite costly and unfortunately I cannot see into their financial statements to know if Spotify can afford it. Given a scenario where Spotify does have the finance to spend for television commercials. There are two ways of approaching it, first is to be very loud while entering a new market to create a "splash" of attention, which Spotify did not do in the case of Czech Republic, other option is to wait and stay low until all the key features are integrated and the service is fully functional (including local; musicians, events, advertisements, etc.) and then launch an awareness campaign. The second option is the realistic one for Spotify regarding the Czech market. In which case it should create commercials targeting the generations 30 years old and above, since the younger generations have a much higher degree of awareness due to the nature of their current propagation strategy regarding social media networks. These commercials would be placed on the national largest private television stations such as Nova and Prima, including their sub-channels. Airing of the commercials would be best during prime time (after 20:00), but will cost accordingly.

#### 3.1.1.4. Price Strategy

This topic has a lot of potential to improve and come up with interesting offers for the Czech market. Spotify has a few price ranges across the world (markets its involved in), the Central European region consisting of Czech Republic, Slovakia, Poland, etc. are in almost the lowest price range compared to the rest of the markets.

A habit-forming inclined strategy can be targeted at attaining teenagers that rely on their parents to get money, either by allowances or by them paying for the premium account. This is further explained in the family bundles price strategy.

These are the recommended price differentiations:

- ❖ *Student prices.* Spotify should have a discount offer for students, where it would cooperate with ISIC and offer a considerable discount on the service during the time period the user has the status of a student.
- ❖ *Family bundles.* This is a great opportunity that cooperates with the change of brand identity and positioning, which would diversify and target older generations that can be classified as non-mainstream consumers (the parents), together with the proposition to target younger teenagers. It would also improve the trust and connection of the parents towards the service as an entertaining centre for their children. The bundles or packages can offer a discount that would exclude one of the users from paying. I.e., 3+1, pay for three and receive four accounts. This could be further adjusted from a family of three up to family of six members.
- ❖ *First month free.* Offering a month free trial version will give the users a deeper look at the features and possibilities they gain by paying. Experiencing the full service and then going to a free tier, which has limited functions and is laced with advertisements might be a stronger convincing method rather than letting the users start on the free tier and convincing them that the service will be better once they start paying. It can also fight back against Apple Music, which is giving out three months free trials.

### **3.1.2. Summary of the Brand Strategy Recommendations**

I have recommended strategy alterations and market modifications based on the research conducted in the earlier parts of the thesis (all that were secondary data), which contained the mapping of the industry in the target market with the evolution and current trends in the business. Survey has been conducted that as mentioned was focused unintentionally on Spotify's target segment. Then after I have done an evaluation of the current brand strategy of the company that was based off the theoretical research I was able to determine the factors in four key aspects; strengths, opportunities, weaknesses and threats of the company, which were further divided into internal and external factors.

From these data I was able to come up with recommendations that are designed to help and improve the company's current well-established position on the Czech market. The recommendations made are concerning the brand's identity, positioning, communication strategy and price strategy.

### **3.1.3. Utilization of the Recommendations and Proposals**

The company has been noticeably proactive, which earned it the position of the market and even industry leader. The company has been increasingly expanding into new markets, some that it finds more lucrative and some that it has not fully integrated its features in. One of those countries is the Czech Republic and these recommendations and proposals were brought up to help and improve the brand strategy that Spotify is applying in this region. The recommendations are basically ideas and suggestions based on the analysis of the current situation and due to the limitations of the research and the thesis itself in terms of actual data I was able to access (secondary), result in the depth of the proposals. Nevertheless, they are built on a solid research of the current brand situation in the country.

In order to execute any of the recommendations, mainly if they were solely country oriented will require forming a team that has knowledge of the region and of the industry. There is no specific order in which the proposals should be executed, although the overall changes starting from brand identity leading to price strategy are intertwined and expected

to be most effective when applied completely. The main result of that should be higher brand awareness, which is consequently linked to higher amounts of possible subscriptions.

## Conclusion

In this diploma thesis I focused on the brand management of a company involved in the online music streaming industry named Spotify. The goal was primarily to summarize the issue of brand management and apply the obtained knowledge on a selected brand, which means evaluate the current brand management and its current situation, and possibly propose recommendations for the future strategy of their brand management in order to improve or consolidate their current strategy in the targeted market, which is Czech Republic. I have fulfilled this objective and in conclusion I will summarize my findings.

The theoretical part was mainly based on researchers and experts in the field of marketing and brand management such as, J. N. Kapferer, P. Kotler, K. L. Keller, and D. A. Aaker. The authors fundamentally agree on the fact that if we speak about a brand it is not just a mark or a label, but it includes all the associations that the consumer connects to the given brand. This means a brand represents a value that the customer is buying, it also includes their relation. Consequently it fulfils a number of functions, as for the consumer, so for the producer. Brand elements or in other words the brands identifications include especially a name, logo and symbols, representatives, slogans, jingles and wrappings.

A brand should be managed actively and in a long-term time frame. That is the function of brand management, in which case the primary objective is managing its value. Positive brand value should mean an increase in the future income, no matter if it is from the financial point of view or marketing (customer) point of view. Marketing approach towards brand value involves aspects such as brand knowledge, customer loyalty, and perspective of quality, associations linked with the brand or its proprietary assets.

In the practical part of the diploma thesis I focus on the industry of online music streaming services, the brand Spotify and the application of theoretical findings on its management. Spotify is a Swedish company that recently moved its headquarters to the United States and which offers a service involved in online music streaming. It is the current leader of the industry and recently it has launched in the Czech Republic, which is the market frame of

focus. The research and recommendations are not solely based on the Czech Republic; it incorporates Slovakia and Poland and is referred to as the region.

Lately the online music streaming industry is on the rise, with exponential growth registered every month, Spotify has currently over 75 million users, from which more than 20 million users are paying for premium features. Competition in Europe is high, but among the companies beneath Spotify from the brand valuation and user base point of view. The only large competitor on the rise that also has the means to become the leader of the industry is Apple Music, a service launched two months ago by Apple and so far growing exponentially, although the numbers are based on the free three months trial account they are offering.

In the framework of my diploma thesis I conducted a survey that was designed to research the consumer behaviour regarding their buying and using habits in the category of online music streaming services together with their perspective on a few selected brands. The overall findings of the survey were quite positive for Spotify. It turned out that the brand awareness is very high, especially compared to the top competitors also the purchasing frequency of the premium account was higher than anticipated. Other significant results of the survey: it has the highest amount of users compared to all the key competitors, Spotify application is used a lot more than the web-browsing platform, college students are the key customers, more than half the consumers use it every day, the most frequent association with the brand is convenience, high degree of personalization and customization, the main reason to use online music streaming services is the larger choice of music.

Based on the obtained data I attempted to analyse the current brand management of the company and propose recommendations for the future. This was not an easy task due to the fact that the brand is fairly new and understands the importance of a well groomed brand, therefore invests heavily in this particular part of the company and so far it is quite obviously paying off. This means that my essential recommendation is to continue with this systematic and thorough care of the brand, which will chiefly aim at long-term increase of brand value. Also in case they do not have a suitable and long-term consistent system of



brand management together with a tool that evaluates its effectiveness, then I urge its application as soon as possible.

To bring the conclusion to an end I will summarize some of the recommendations I deem acceptable. Brand identity, as mentioned in the recommendations, should become more diversified towards outside of the mainstream trend, attaining a wider range of audience. Spotify should be also transforming itself from a technologically oriented brand to a lifestyle brand that does not emphasize on the technology, but on the emotional and situational associations. In order to achieve this transformation the brand must connect itself with the artists on a deeper level, such as organizing concerts and promotions with the musicians. Next recommendations were made towards the brand positioning discussing the focus on millennials (age 18-34) and together with the diversification of the brands image towards outside of the mainstream, focus on older generations, which would appreciate music more connected to their age (of course this is highly individual). Targeting younger generations, such as early teenagers will in connection with price strategy suggestions open a lucrative new segment. Third suggestion is about Spotify's communication strategy, which is narrowly focused on consumers using social media networks, so suggestions were made to create television commercials with an aim at older generations and consumers that do not participate in online social networks. Last but not least is Spotify's currently not existing price strategy, where recommendations were made, which would offer family bundles, student discounts and trial versions. Family bundles are considered to be the most interesting offer in terms of the price strategy in connection with other recommendations towards diversification of their current strategy.

One of the other brand strategies that I would like to mention is Spotify's involvement in the sporting industry, to be more specific; in running. This is in my opinion a great move bringing the brands identity closer to the globally (first world countries) trending habit of becoming healthy now more than ever, by exercising and eating healthy. Associations with these mass trends will place the brands overall value higher.

I consider the results of my work as applicable pretences for possible changes in Spotify's brand management regarding the market of Czech Republic, optionally as an inspiration while managing other online music streaming brands.

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# Appendices

## Appendix 1

Survey: Online Music Streaming Services

Hi,

the following survey you are about to fill out is an essential element of my diploma thesis. It has been designed to help me evaluate a certain company's brand strategy.

The survey is fairly short and should take you approximately 5 minutes to fill out.

Note: The survey is quite heavily oriented on the experience of using these services. If you have never even heard of them, then there is unfortunately no point in filling this out.

The survey is completely anonymous.

I would like to express my honest gratitude to every single one of you that took the time to fill out this survey.

Thank you!

### 1. Gender

- Male
- Female

### 2. Age

- <18

- 19-25
- 26-35
- 36-45
- >45

### 3. Status

*More than 1 choice.*

- Work full time
- Work part time
- Student
- Unemployed

### 4. Please select the online music streaming companies you know or have heard of.

*More than 1 choice.*

- Deezer
- Google Play Music
- Rdio
- Spotify
- Apple Music (Beats Music)
- Last.FM
- Rhapsody
- None

5. Please select the companies you use or have used for online music streaming.

*More than 1 choice.*

- Deezer
- Google Play Music
- Rdio
- Spotify
- Apple Music (Beats Music)
- Last.FM
- Rhapsody
- None
- Other

6. Please choose if you are or you have been a subscriber (paying for premium) to any of these companies?

*More than 1 choice.*

- Deezer
- Google Play Music
- Rdio
- Spotify
- Apple Music (Beats Music)
- Last.FM
- Rhapsody
- None

- Other

7. How often do you use the music streaming services?

- Every day
- 3-4 times a week
- 1-2 times a week
- Less than once a month
- Never

8. On a typical day about how many hours do you spend listening to online-streamed music?

*Online.*

- <1
- 2-3
- 4-5
- 6-7
- >7

9. On a typical day about how many hours do you spend listening to music?

- <1
- 2-3
- 4-5
- 6-7

- >7

10. When do you usually use the music streaming service?

*More than 1 choice.*

- While relaxing
- While at work
- While socializing
- While travelling
- While exercising
- Never
- Other

11. Which devices do you use for streaming music?

*More than 1 choice.*

- Computer
- Tablet
- Smartphone
- TV
- None
- Other

12. For what reasons do you use music streaming services?

*More than 1 choice.*

- More convenient
- Larger choice of music
- Better way to explore new music
- I do not use them
- Other

13. Which of the following factors would be or has been the leading cause for you to subscribe (pay for premium)?

*More than 1 choice.*

- Offline music access
- Higher music quality (bitrate)
- Greater amount of control (skipping, choosing, etc.)
- No ads
- More accessible music
- For no particular reason
- Other

14. How likely are you to pay for music content online instead of using a free service?

*Granted its around 6.00€/month.*

- Extremely
- Quite
- Moderately
- Slightly



- Not at all

15. What percentage of your home music library has been downloaded illegally?

- 0
- <10
- 11-20
- 21-50
- 51-70
- >70

16. Has the use of online music streaming services reduced the amount of music you download illegally?

- Yes
- No

17. When you think of Spotify, what words come to mind?

18. Where was the first time you've heard of Spotify?

- Facebook advertisement
- Internet advertisement
- Friends
- Work
- TV

- Magazine
- Billboard
- Never
- Other

19. Have you ever encountered any Spotify advertisement outside of their website?

- Yes
- No
- Not sure

20. Which do you use more often?

- Spotify player via web-browser
- Spotify application
- I do not use Spotify
- Other

21. Please select the online music streaming company you think has currently the most listeners.

- Deezer
- Google Play Music
- Rdio
- Spotify
- Apple Music (Beats Music)

- Last.FM
- Rhapsody
- I have no idea
- Other

22. Is there anything you would change about Spotify?

## Appendix 2

Scheme of the brand management process according to S. M. Davis

